



Mary Taylor, CPA  
Auditor of State



**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, Ohio (the "City"), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, Ohio, as of December 31, 2005, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and Income Tax funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule provides additional information and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

July 1, 2008

# CITY OF COLUMBIANA, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2005*

*Unaudited*

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The discussion and analysis of the City of Columbiana's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$11,101,352. Net assets of governmental activities increased \$952,582, which represents a 23% increase from 2004. Net assets of business-type activities increased \$10,148,770 from 2004.
- General revenues accounted for \$3,328,208 in revenue or 14% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$20,443,496, or 86% of total revenues of \$23,771,704.
- The City had \$3,346,702 in expenses related to governmental activities; only \$1,147,804 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,153,566 were adequate to provide for these programs.
- Among major funds, the general fund had \$2,453,474 in revenues and other financing sources and \$2,393,138 in expenditures and other financing uses. The general fund's fund balance increased from \$401,318 to \$461,654.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

# CITY OF COLUMBIANA, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2005*

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare, leisure time activities, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, wastewater, electric and public safety vehicle services are reported as business-type activities.

## **Fund Financial Statements**

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

*Governmental Funds* – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005**

**Unaudited**

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

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

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2005 compared to 2004.

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated			
	2005	2004	2005	2004	2005	2004
Current and other assets	\$2,973,082	\$3,284,596	\$12,112,125	\$7,357,846	\$15,085,207	\$10,642,442
Capital assets, Net	2,953,259	1,777,761	19,601,445	14,813,777	22,554,704	16,591,538
Total assets	5,926,341	5,062,357	31,713,570	22,171,623	37,639,911	27,233,980
Long-term debt outstanding	57,729	57,893	13,180,064	8,006,712	13,237,793	8,064,605
Other liabilities	722,965	811,399	1,639,618	7,419,793	2,362,583	8,231,192
Total liabilities	780,694	869,292	14,819,682	15,426,505	15,600,376	16,295,797
Net assets						
Invested in capital assets, net of related debt	2,953,259	1,777,761	6,130,353	2,667,063	9,083,612	4,444,824
Restricted	1,384,441	1,765,975	0	0	1,384,441	1,765,975
Unrestricted	807,947	649,329	10,763,535	4,078,055	11,571,482	4,727,384
Total net assets	\$5,145,647	\$4,193,065	\$16,893,888	\$6,745,118	\$22,039,535	\$10,938,183

## CITY OF COLUMBIANA, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2005

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2005 compared to 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	Restated 2004	2005	Restated 2004	2005	2004
Revenues						
Program revenues:						
Charges for Services and Sales	\$421,528	\$342,216	\$10,154,506	\$7,798,687	\$10,576,034	\$8,140,903
Operating Grants and Contributions	361,292	273,571	66,694	35,311	427,986	308,882
Capital Grants and Contributions	364,984	24,990	9,074,492	2,500,875	9,439,476	2,525,865
Total Program revenues	1,147,804	640,777	19,295,692	10,334,873	20,443,496	10,975,650
General revenues:						
Property Taxes	323,760	390,265	150,756	147,721	474,516	537,986
Income Taxes	1,509,722	1,444,167	0	0	1,509,722	1,444,167
Intergovernmental, Unrestricted	1,149,034	699,368	0	0	1,149,034	699,368
Investment Earnings	125,549	57,248	23,886	34,801	149,435	92,049
Miscellaneous	45,501	41,897	0	0	45,501	41,897
Total General revenues	3,153,566	2,632,945	174,642	182,522	3,328,208	2,815,467
Total revenues	4,301,370	3,273,722	19,470,334	10,517,395	23,771,704	13,791,117
Program Expenses						
Security of Persons and Property	1,403,621	1,179,692	0	0	1,403,621	1,179,692
Leisure Time Activities	354,215	261,252	0	0	354,215	261,252
Public Health and Welfare Services	169,720	135,767	0	0	169,720	135,767
Transportation	256,767	182,783	0	0	256,767	182,783
General Government	1,150,444	620,793	0	0	1,150,444	620,793
Interest and Fiscal Charges	11,935	9,970	0	0	11,935	9,970
Water	0	0	710,667	688,046	710,667	688,046
Wastewater	0	0	1,502,516	705,786	1,502,516	705,786
Electric	0	0	6,702,416	5,033,600	6,702,416	5,033,600
Public Safety Vehicle Service	0	0	408,051	300,128	408,051	300,128
Total expenses	3,346,702	2,390,257	9,323,650	6,727,560	12,670,352	9,117,817
Change in Net Assets before transfers	954,668	883,465	10,146,684	3,789,835	11,101,352	4,673,300
Transfers	(2,086)	0	2,086	0	0	0
Total Change in Net Assets	952,582	883,465	10,148,770	3,789,835	11,101,352	4,673,300
Beginning Net Assets	4,193,065	3,309,600	6,745,118	2,955,283	10,938,183	6,264,883
Ending Net Assets	\$5,145,647	\$4,193,065	\$16,893,888	\$6,745,118	\$22,039,535	\$10,938,183

### Governmental Activities

Net assets of the City's governmental activities increased \$952,582. Capital grants and contributions increased significantly due to grants from the Ohio Department of Transportation. Unrestricted contributions increased due to a large inheritance tax received in 2005.

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

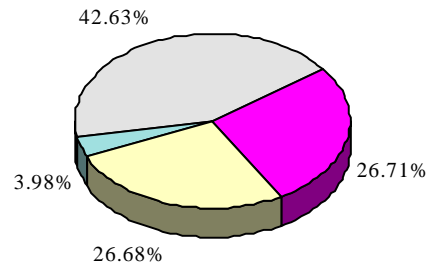
## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005**

**Unaudited**

Income taxes and property taxes made up 35% and 8% respectively of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph indicating 43% of total revenues from general tax revenues:

Revenue Sources	2005	Percent of Total
General Tax Revenues	\$1,833,482	42.63%
Shared Revenue	1,149,034	26.71%
Program Revenues	1,147,804	26.68%
General Other	171,050	3.98%
Total Revenue	\$4,301,370	100.00%



### **Business-Type Activities**

Net assets of the business-type activities increased \$10,148,770. This substantial increase can be attributed to a large amount of capital grants and contributions received.

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

The City's governmental funds reported a combined fund balance of \$1,765,207, which is an increase from last year's balance of \$1,674,689. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance/(Deficit) December 31, 2004	Increase (Decrease)
General	\$461,654	\$401,318	\$60,336
Income Tax	359,253	383,860	(24,607)
Capital Improvement	220,097	(22,766)	242,863
Other Governmental	724,203	912,277	(188,074)
Total	\$1,765,207	\$1,674,689	\$90,518

## *CITY OF COLUMBIANA, OHIO*

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2005*

*Unaudited*

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General Fund – The City's General Fund balance increase is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2005	2004	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$274,954	\$256,273	\$18,681
Intergovernmental Revenues	1,138,334	675,252	463,082
Charges for Services	62,728	37,817	24,911
Licenses and Permits	114,124	89,939	24,185
Investment Earnings	110,925	48,279	62,646
Fines and Forfeitures	22,718	25,023	(2,305)
All Other Revenue	3,191	4,958	(1,767)
Total	<u>\$1,726,974</u>	<u>\$1,137,541</u>	<u>\$589,433</u>

General Fund revenues in 2005 increased approximately 52% compared to revenues in fiscal year 2004. Increases in investment earnings can be attributed to higher interest rates, while intergovernmental revenues increased due to a large inheritance tax received by the City in 2005.

	2005	2004	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$1,218,515	\$1,024,943	\$193,572
Public Health and Welfare	13,107	12,726	381
General Government	600,587	262,036	338,551
Interest and Fiscal Charges	1,929	0	1,929
Total	<u>\$1,834,138</u>	<u>\$1,299,705</u>	<u>\$534,433</u>

General Fund expenditures increased \$534,433 or 41% from the prior year. Increases in salaries and wages, as well as equipment purchases led to the increase in security of persons and property, while a land purchase caused the increase in general government.

## **CITY OF COLUMBIANA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2005***

***Unaudited***

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Income Tax Fund – The City's Income Tax Fund balance remained very stable, decreasing approximately 6%.

Capital Improvement Fund – The City's Capital Improvement Fund increased substantially due to the retirement of notes payable.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2005 the City amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue of \$1.8 million was equal to final budget estimates of \$1.8 million. The General Fund had an adequate fund balance to cover expenditures.

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

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

At the end of fiscal 2005 the City had \$22,554,704 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, \$2,953,259 was related to governmental activities and \$19,601,445 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$506,391	\$252,020	\$254,371
Construction In Progress	783,132	0	783,132
Buildings and Improvements	1,664,601	1,664,601	0
Improvements Other than Buildings	506,959	361,849	145,110
Infrastructure	55,525	0	55,525
Machinery and Equipment	1,853,494	1,774,276	79,218
Less: Accumulated Depreciation	(2,416,843)	(2,274,985)	(141,858)
Totals	<u>\$2,953,259</u>	<u>\$1,777,761</u>	<u>\$1,175,498</u>

Increases in construction in progress can be attributed to ongoing street and storm water improvement projects.

**CITY OF COLUMBIANA, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005**

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2005	2004	
	Land	\$533,980	\$338,980
Construction in Progress	5,692,955	10,064,528	(4,371,573)
Buildings	9,512,394	2,450,841	7,061,553
Improvements other than Buildings	126,884	48,064	78,820
Machinery and Equipment	6,365,607	4,313,941	2,051,666
Infrastructure	557,755	275,654	282,101
Less: Accumulated Depreciation	(3,188,130)	(2,678,231)	(509,899)
Totals	\$19,601,445	\$14,813,777	\$4,787,668

The large amount of construction in progress, building additions, and machinery and equipment additions can be attributed to ongoing wastewater treatment plant construction and sanitary sewer work. Additional information on the City's capital assets can be found in Note 7.

**Debt**

The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	2005	2004
Governmental Activities:		
Compensated Absences	\$57,729	\$57,893
Total Governmental Activities	57,729	57,893
Business-Type Activities:		
Special Assessment Bonds	5,610,000	435,000
Mortgage Revenue Bond	7,227,000	0
Ohio Water Development Authority Loans	12,244	7,239,244
Ohio Public Works Commission Loans	291,848	291,848
Compensated Absences	38,972	40,620
Total Business-Type Activities	13,180,064	8,006,712
Totals	\$13,237,793	\$8,064,605

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2005***

***Unaudited***

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### **ECONOMIC FACTORS**

The City of Columbiana is fortunate to have a diverse business base, with no dominate single industry. This City saw some major employers expand, such as D.W. Dickey (\$150,000), A-Plus Powder Coaters (\$150,000), Village Sparkle Inc. (\$145,000). The City also has seen the beginning of a new plaza and medical center being built by J.J.L.R.D. and Associates (\$520,000) on state route 14.

The City is also the fastest growing community in Columbiana County. In 2005 the City issued 84 housing unit permits.

With the diverse business base and the continued housing growth the City continues to have a low earnings tax rate of 1%.

The City's school district (Columbiana Exempted Village) continues to top the list of area schools for proficiency test scores.

### **REQUESTS FOR INFORMATION**

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

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**CITY OF COLUMBIANA, OHIO**

**Statement of Net Assets**  
**December 31, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,663,357	\$ 3,804,719	\$ 5,468,076
Investments	0	634,638	634,638
Receivables:			
Taxes	626,599	181,899	808,498
Accounts	22,746	1,573,832	1,596,578
Intergovernmental	505,271	200,868	706,139
Interest	5,648	539	6,187
Special Assessments	0	5,610,000	5,610,000
Internal Balance	94,308	(94,308)	0
Prepaid Items	55,153	32,057	87,210
Investment in Joint Venture	0	167,881	167,881
Capital Assets, Net	2,953,259	19,601,445	22,554,704
<b>Total Assets</b>	<b>5,926,341</b>	<b>31,713,570</b>	<b>37,639,911</b>
<b>Liabilities:</b>			
Accounts Payable	25,901	815,973	841,874
Accrued Wages and Benefits	163,582	141,937	305,519
Intergovernmental Payable	6,933	6,299	13,232
Claims Payable	0	32,876	32,876
Deferred Revenue	306,549	179,834	486,383
Accrued Interest Payable	0	132,699	132,699
General Obligation Notes Payable	220,000	330,000	550,000
Noncurrent liabilities:			
Due within one year	34,705	220,117	254,822
Due in more than one year	23,024	12,959,947	12,982,971
<b>Total Liabilities</b>	<b>780,694</b>	<b>14,819,682</b>	<b>15,600,376</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	2,953,259	6,130,353	9,083,612
Restricted For:			
Capital Projects	656,217	0	656,217
Debt Service	410	0	410
Other Purposes	727,814	0	727,814
Unrestricted	807,947	10,763,535	11,571,482
<b>Total Net Assets</b>	<b>\$ 5,145,647</b>	<b>\$ 16,893,888</b>	<b>\$ 22,039,535</b>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2005**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 1,403,621	\$ 89,150	\$ 47,998	\$ 0
Public Health and Welfare	169,720	51,943	0	0
Leisure Time Activities	354,215	166,311	0	0
Transportation	256,767	0	313,294	364,984
General Government	1,150,444	114,124	0	0
Interest and Fiscal Charges	11,935	0	0	0
<b>Total Governmental Activities</b>	<b>3,346,702</b>	<b>421,528</b>	<b>361,292</b>	<b>364,984</b>
<b>Business-Type Activities:</b>				
Water	710,667	920,251	0	0
Wastewater	1,502,516	2,322,396	0	9,074,492
Electric	6,702,416	6,750,359	0	0
Public Safety Vehicle Service	408,051	161,500	66,694	0
<b>Total Business-Type Activities</b>	<b>9,323,650</b>	<b>10,154,506</b>	<b>66,694</b>	<b>9,074,492</b>
<b>Totals</b>	<b>\$ 12,670,352</b>	<b>\$ 10,576,034</b>	<b>\$ 427,986</b>	<b>\$ 9,439,476</b>

**General Revenues**

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

Change in Net Assets

Net Assets Beginning of Year  
 Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,266,473)	\$ 0	\$ (1,266,473)
(117,777)	0	(117,777)
(187,904)	0	(187,904)
421,511	0	421,511
(1,036,320)	0	(1,036,320)
(11,935)	0	(11,935)
<u>(2,198,898)</u>	<u>0</u>	<u>(2,198,898)</u>
0	209,584	209,584
0	9,894,372	9,894,372
0	47,943	47,943
0	(179,857)	(179,857)
<u>0</u>	<u>9,972,042</u>	<u>9,972,042</u>
<u>(2,198,898)</u>	<u>9,972,042</u>	<u>7,773,144</u>
294,963	0	294,963
28,665	0	28,665
132	0	132
0	150,756	150,756
1,509,722	0	1,509,722
1,149,034	0	1,149,034
125,549	23,886	149,435
45,501	0	45,501
(2,086)	2,086	0
<u>3,151,480</u>	<u>176,728</u>	<u>3,328,208</u>
952,582	10,148,770	11,101,352
4,193,065	6,745,118	10,938,183
<u>\$ 5,145,647</u>	<u>\$ 16,893,888</u>	<u>\$ 22,039,535</u>

**CITY OF COLUMBIANA, OHIO**

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2005**

	<u>General</u>	<u>Income Tax</u>	<u>Capital Improvement</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 370,711	\$ 78,455	\$ 458,745
Receivables:			
Taxes	303,825	286,286	0
Accounts	20,857	0	0
Intergovernmental	197,905	0	149,852
Interest	5,130	0	0
Prepaid Items	53,564	101	0
<b>Total Assets</b>	<u>\$ 951,992</u>	<u>\$ 364,842</u>	<u>\$ 608,597</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 8,671	\$ 883	\$ 3,925
Accrued Wages and Benefits Payable	72,768	4,706	14,723
Intergovernmental Payable	2,803	0	0
Deferred Revenue	406,096	0	149,852
General Obligation Notes Payable	0	0	220,000
<b>Total Liabilities</b>	<u>490,338</u>	<u>5,589</u>	<u>388,500</u>
<b>Fund Balance:</b>			
Reserved for Encumbrances	54,703	12,805	205,800
Reserved for Prepaid Items	53,564	101	0
Reserved for Endowments	0	0	0
Undesignated, Unreserved in:			
General Fund	353,387	0	0
Special Revenue Funds	0	346,347	0
Debt Service Fund	0	0	0
Capital Project Funds	0	0	14,297
<b>Total Fund Balance</b>	<u>461,654</u>	<u>359,253</u>	<u>220,097</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 951,992</u>	<u>\$ 364,842</u>	<u>\$ 608,597</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 755,446	\$ 1,663,357
36,488	626,599
1,889	22,746
157,514	505,271
518	5,648
1,488	55,153
<u>\$ 953,343</u>	<u>\$ 2,878,774</u>
\$ 12,422	\$ 25,901
71,385	163,582
4,130	6,933
141,203	697,151
0	220,000
<u>229,140</u>	<u>1,113,567</u>
192,263	465,571
1,488	55,153
158,134	158,134
0	353,387
208,940	555,287
410	410
162,968	177,265
<u>724,203</u>	<u>1,765,207</u>
<u>\$ 953,343</u>	<u>\$ 2,878,774</u>

**CITY OF COLUMBIANA, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2005***

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<b>Total Governmental Fund Balances</b>	\$ 1,765,207
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	2,953,259
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	390,602
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in business-type activities in the statement of net assets.	94,308
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences Payable	(57,729)
<b><i>Net Assets of Governmental Activities</i></b>	<u><u>\$ 5,145,647</u></u>

See accompanying notes to the basic financial statements

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**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005**

	<u>General</u>	<u>Income Tax</u>	<u>Capital Improvement</u>
<b>Revenues:</b>			
Taxes	\$ 274,954	\$ 1,509,722	\$ 0
Intergovernmental Revenues	1,138,334	0	787,137
Charges for Services	62,728	0	0
Licenses and Permits	114,124	0	0
Investment Earnings	110,925	0	0
Fines and Forfeitures	22,718	0	0
All Other Revenue	3,191	0	29,842
<b>Total Revenue</b>	<u>1,726,974</u>	<u>1,509,722</u>	<u>816,979</u>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	1,218,515	0	0
Public Health and Welfare	13,107	0	0
Leisure Time Activities	0	0	0
Transportation	0	0	0
General Government	600,587	81,329	0
Capital Outlay	0	0	1,531,402
Debt Service:			
Interest & Fiscal Charges	1,929	0	10,006
<b>Total Expenditures</b>	<u>1,834,138</u>	<u>81,329</u>	<u>1,541,408</u>
Excess (Deficiency) of Revenues Over Expenditures	(107,164)	1,428,393	(724,429)
<b>Other Financing Sources (Uses):</b>			
Transfers In	726,500	0	967,292
Transfers Out	(559,000)	(1,453,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>167,500</u>	<u>(1,453,000)</u>	<u>967,292</u>
Net Change in Fund Balances	60,336	(24,607)	242,863
<b>Fund Balance (Deficit) at Beginning of Year</b>	<u>401,318</u>	<u>383,860</u>	<u>(22,766)</u>
<b>Fund Balance End of Year</b>	<u>\$ 461,654</u>	<u>\$ 359,253</u>	<u>\$ 220,097</u>

See accompanying notes to the basic financial statements



**CITY OF COLUMBIANA, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 32,713	\$ 1,817,389
311,906	2,237,377
218,254	280,982
0	114,124
14,624	125,549
3,704	26,422
12,468	45,501
<u>593,669</u>	<u>4,647,344</u>
155,014	1,373,529
154,256	167,363
314,730	314,730
241,678	241,678
12,863	694,779
219,324	1,750,726
0	11,935
<u>1,097,865</u>	<u>4,554,740</u>
(504,196)	92,604
361,000	2,054,792
<u>(44,878)</u>	<u>(2,056,878)</u>
<u>316,122</u>	<u>(2,086)</u>
(188,074)	90,518
<u>912,277</u>	<u>1,674,689</u>
<u>\$ 724,203</u>	<u>\$ 1,765,207</u>

**CITY OF COLUMBIANA, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended December 31, 2005***

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

***Amounts reported for governmental activities in the statement of activities are different because*** \$90,518

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

Capital Outlay	1,317,356	
Depreciation Expense	<u>(141,858)</u>	1,175,498

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (345,974)

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

Compensated Absences		164
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Internal Service Funds used by management to charge the costs of insurance to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated.

The net revenue (expense) of the internal service funds is allocated among the governmental activities. 32,376

***Change in Net Assets of Governmental Activities*** \$ 952,582

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 276,179	\$ 276,179	\$ 275,625	\$ (554)
Intergovernmental Revenue	1,134,000	1,134,000	1,137,809	3,809
Charges for Services	62,500	62,500	63,192	692
Licenses and Permits	161,218	161,218	161,858	640
Investment Earnings	108,000	108,000	108,322	322
Fines and Forfeitures	22,000	22,000	22,525	525
All Other Revenues	500	500	200	(300)
Total Revenues	<u>1,764,397</u>	<u>1,764,397</u>	<u>1,769,531</u>	<u>5,134</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,255,460	1,255,460	1,238,282	17,178
Public Health and Welfare	13,108	13,108	13,107	1
General Government	631,579	631,579	625,360	6,219
Debt Service:				
Interest and Fiscal Charges	1,929	1,929	1,929	0
Total Expenditures	<u>1,902,076</u>	<u>1,902,076</u>	<u>1,878,678</u>	<u>23,398</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,679)	(137,679)	(109,147)	28,532
<b>Other Financing Sources (Uses):</b>				
Transfers In	726,500	726,500	726,500	0
Transfers Out	(564,000)	(564,000)	(559,000)	5,000
Advances In	162,000	162,000	161,871	(129)
Advances Out	(136,872)	(136,872)	(136,871)	1
Total Other Financing Sources (Uses):	<u>187,628</u>	<u>187,628</u>	<u>192,500</u>	<u>4,872</u>
Net Change in Fund Balance	49,949	49,949	83,353	33,404
Fund Balance at Beginning of Year	<u>219,680</u>	<u>219,680</u>	<u>219,680</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 269,629</u>	<u>\$ 269,629</u>	<u>\$ 303,033</u>	<u>\$ 33,404</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Income Tax Fund  
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,501,337	\$ 1,501,337	\$ 1,504,493	\$ 3,156
Total Revenues	1,501,337	1,501,337	1,504,493	3,156
<b>Expenditures:</b>				
Current:				
General Government	89,450	89,450	80,907	8,543
Total Expenditures	89,450	89,450	80,907	8,543
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,411,887	1,411,887	1,423,586	11,699
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,453,000)	(1,453,000)	(1,453,000)	0
Total Other Financing Sources (Uses):	(1,453,000)	(1,453,000)	(1,453,000)	0
Net Change in Fund Balance	(41,113)	(41,113)	(29,414)	11,699
Fund Balance at Beginning of Year	106,100	106,100	106,100	0
Fund Balance at End of Year	\$ 64,987	\$ 64,987	\$ 76,686	\$ 11,699

See accompanying notes to the basic financial statements

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**CITY OF COLUMBIANA, OHIO**

**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2005**

	Business-Type Activities Enterprise Funds		
	Water	Wastewater	Electric
	Water	Wastewater	Electric
<b>ASSETS</b>			
Current assets:			
Cash and Cash Equivalents	\$ 406,049	\$ 1,884,444	\$ 1,126,868
Investments	0	0	634,638
Receivables:			
Taxes	0	0	0
Accounts	131,518	196,010	1,225,349
Intergovernmental	0	200,868	0
Interest	0	0	0
Special Assessments	200,000	5,410,000	0
Prepaid Items	6,391	9,182	10,236
Total current assets	743,958	7,700,504	2,997,091
Noncurrent assets:			
Investment in Joint Venture	0	0	167,881
Capital Assets, Net	1,228,189	15,945,698	2,404,590
Total noncurrent assets	1,228,189	15,945,698	2,572,471
Total assets	1,972,147	23,646,202	5,569,562
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	78,425	210,209	524,574
Accrued Wages and Benefits	35,080	22,880	58,284
Intergovernmental Payable	2,789	2,585	925
Claims Payable	0	0	0
Deferred Revenue	0	0	0
Accrued Interest Payable	3,628	124,852	4,219
General Obligation Notes Payable	130,000	0	200,000
Revenue Bond Payable - Current	0	68,200	0
Special Assessment Bond Payable - Current	5,000	130,000	0
Total Current Liabilities	254,922	558,726	788,002
Noncurrent Liabilities:			
Special Assessment Bonds Payable	195,000	5,280,000	0
Revenue Bonds Payable	0	7,158,800	0
OWDA Loans Payable	0	12,244	0
OPWC Loans Payable	0	291,848	0
Compensated Absences Payable	11,047	8,405	15,483
Total noncurrent liabilities	206,047	12,751,297	15,483
<b>Total Liabilities</b>	460,969	13,310,023	803,485
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	898,189	3,004,606	2,204,590
Unrestricted	612,989	7,331,573	2,561,487
Total Net Assets	\$ 1,511,178	\$ 10,336,179	\$ 4,766,077

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.  
Net Assets of Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Public Safety Vehicle Service	Total	Governmental Activities - Internal Service Funds
\$ 87,156	\$ 3,504,517	\$ 300,202
0	634,638	0
181,899	181,899	0
20,955	1,573,832	0
0	200,868	0
0	0	539
0	5,610,000	0
6,248	32,057	0
<u>296,258</u>	<u>11,737,811</u>	<u>300,741</u>
0	167,881	0
<u>22,968</u>	<u>19,601,445</u>	<u>0</u>
<u>22,968</u>	<u>19,769,326</u>	<u>0</u>
<u>319,226</u>	<u>31,507,137</u>	<u>300,741</u>
2,765	815,973	0
25,536	141,780	157
0	6,299	0
0	0	32,876
179,834	179,834	0
0	132,699	0
0	330,000	0
0	68,200	0
0	135,000	0
<u>208,135</u>	<u>1,809,785</u>	<u>33,033</u>
0	5,475,000	0
0	7,158,800	0
0	12,244	0
0	291,848	0
4,037	38,972	0
<u>4,037</u>	<u>12,976,864</u>	<u>0</u>
<u>212,172</u>	<u>14,786,649</u>	<u>33,033</u>
22,968	6,130,353	0
84,086	10,590,135	267,708
<u>\$ 107,054</u>	<u>\$ 16,720,488</u>	<u>\$ 267,708</u>
	<u>173,400</u>	
	<u>\$ 16,893,888</u>	

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2005**

	Business-Type Activities Enterprise Funds		
	Water	Wastewater	Electric
		\$	\$
<b>Operating Revenues:</b>			
Charges for Services	917,745	2,300,867	6,690,244
Other Operating Revenues	0	0	0
<b>Total Operating Revenues</b>	917,745	2,300,867	6,690,244
<b>Operating Expenses:</b>			
Personal Services	480,094	358,195	788,170
Contractual Services	71,842	135,030	5,871,218
Materials and Supplies	97,589	31,961	127,781
Depreciation	44,184	223,657	234,107
Other Operating Expenses	2,884	2,321	988
<b>Total Operating Expenses</b>	696,593	751,164	7,022,264
<b>Operating Income (Loss)</b>	221,152	1,549,703	(332,020)
<b>Non-Operating Revenue (Expenses):</b>			
Interest Income	1,627	11,143	4,584
Interest and Fiscal Charges	(14,074)	(463,852)	(6,169)
Taxes	0	0	0
Income from Joint Venture	0	0	10,331
Intergovernmental Grants/Loans	0	3,889,492	0
Other Nonoperating Revenue	2,506	21,529	49,784
Other Nonoperating Expense	0	0	(17,360)
<b>Total Non-Operating Revenues (Expenses)</b>	(9,941)	3,458,312	41,170
<b>Income (Loss) Before Contributions and Transfers</b>	211,211	5,008,015	(290,850)
<b>Transfers:</b>			
Capital Contributions	0	5,185,000	0
Transfers-In	287,790	1,796	0
Transfers-Out	0	(287,500)	0
<b>Total Transfers</b>	287,790	4,899,296	0
<b>Change in Net Assets</b>	499,001	9,907,311	(290,850)
Net Assets Beginning of Year	1,012,177	428,868	5,056,927
<b>Net Assets End of Year</b>	\$ 1,511,178	\$ 10,336,179	\$ 4,766,077

Change in Net Assets - Total Enterprise Funds

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

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements



**CITY OF COLUMBIANA, OHIO**

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Public Safety Vehicle Service	Total	Governmental Activities - Internal Service Funds
\$ 161,500	\$ 10,070,356	\$ 699,054
0	0	60,770
161,500	10,070,356	759,824
305,549	1,932,008	660,269
28,103	6,106,193	11,302
62,531	319,862	0
7,951	509,899	0
3,917	10,110	0
408,051	8,878,072	671,571
(246,551)	1,192,284	88,253
150	17,504	6,382
0	(484,095)	0
150,756	150,756	0
0	10,331	0
66,694	3,956,186	0
0	73,819	0
0	(17,360)	0
217,600	3,707,141	6,382
(28,951)	4,899,425	94,635
0	5,185,000	0
0	289,586	0
0	(287,500)	0
0	5,187,086	0
(28,951)	10,086,511	94,635
136,005	6,633,977	173,073
\$ 107,054	\$ 16,720,488	\$ 267,708
	\$ 10,086,511	
	62,259	
	\$ 10,148,770	

## CITY OF COLUMBIANA, OHIO

### Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2005

	Business-Type Activities					Governmental- Activities Internal Service Fund
	Enterprise Funds					
	Water	Wastewater	Electric	Public Safety Vehicle Service	Totals	
<b>Cash Flows from Operating Activities:</b>						
Cash Received from Customers	\$899,680	\$2,336,321	\$6,466,280	\$201,579	\$9,903,860	\$759,824
Cash Payments for Goods and Services	(170,703)	(153,303)	(5,891,202)	(94,003)	(6,309,211)	(11,302)
Cash Payments to Employees	(463,847)	(346,538)	(788,286)	(291,844)	(1,890,515)	(745,794)
Net Cash Provided (Used) by Operating Activities	<u>265,130</u>	<u>1,836,480</u>	<u>(213,208)</u>	<u>(184,268)</u>	<u>1,704,134</u>	<u>2,728</u>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Tax Receipts	0	0	0	155,275	155,275	0
Transfers In from Other Funds	287,500	102,309	0	0	389,809	0
Transfers Out to Other Funds	0	(389,809)	0	0	(389,809)	0
Advances Out to Other Funds	(12,500)	(12,500)	0	0	(25,000)	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>275,000</u>	<u>(300,000)</u>	<u>0</u>	<u>155,275</u>	<u>130,275</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from the Sale of Notes	130,000	6,285,000	200,000	0	6,615,000	0
Intergovernmental Grants/Loans	0	3,948,131	0	66,694	4,014,825	0
Sale of Special Assessment Bonds	0	5,185,000	0	0	5,185,000	0
Sale of Mortgage Revenue Bonds	0	7,227,000	0	0	7,227,000	0
OWDA Loan Retirement	0	(7,227,000)	0	0	(7,227,000)	0
Note Retirement	(275,000)	(12,145,000)	(350,000)	0	(12,770,000)	0
Interest and Fiscal Charges	(574)	(394,438)	(5,933)	0	(400,945)	0
Acquisition and Construction of Assets	(216,236)	(4,820,719)	(219,569)	0	(5,256,524)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(361,810)</u>	<u>(1,942,026)</u>	<u>(375,502)</u>	<u>66,694</u>	<u>(2,612,644)</u>	<u>0</u>
<b>Cash Flows from Investing Activities:</b>						
Receipts of Interest	1,627	11,826	4,584	174	18,211	6,268
Net Cash Provided by Noncapital Financing Activities	<u>1,627</u>	<u>11,826</u>	<u>4,584</u>	<u>174</u>	<u>18,211</u>	<u>6,268</u>
Net Increase (Decrease) in Cash and Cash Equivalents	179,947	(393,720)	(584,126)	37,875	(760,024)	8,996
Cash and Cash Equivalents at Beginning of Year	<u>226,102</u>	<u>2,278,164</u>	<u>1,710,994</u>	<u>49,281</u>	<u>4,264,541</u>	<u>291,206</u>
Cash and Cash Equivalents at End of Year	<u>\$406,049</u>	<u>\$1,884,444</u>	<u>\$1,126,868</u>	<u>\$87,156</u>	<u>\$3,504,517</u>	<u>\$300,202</u>

(Continued)

## CITY OF COLUMBIANA, OHIO

	Business-Type Activities				Governmental- Activities Internal Service Fund	
	Enterprise Funds					
	Water	Wastewater	Electric	Public Safety Vehicle Service		Totals
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating Income (Loss)	\$221,152	\$1,549,703	(\$332,020)	(\$246,551)	\$1,192,284	\$88,253
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	44,184	223,657	234,107	7,951	509,899	0
Non-Operating Revenue	2,506	21,529	51,603	0	75,638	0
Non-Operating Expense	0	0	(17,360)	0	(17,360)	0
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	(4,151)	30,871	(275,567)	38,952	(209,895)	0
Decrease in Intergovernmental Receivables	0	0	0	1,127	1,127	0
(Increase) Decrease in Prepays	231	(2,670)	(1,229)	(652)	(4,320)	0
Increase in Special Assessments Receivable	(16,420)	(16,946)	0	0	(33,366)	0
Increase in Accounts Payable	1,857	16,940	126,449	1,200	146,446	0
Increase in Accrued Wages and Benefits	12,438	7,359	12,434	10,910	43,141	95
Increase (Decrease) in Intergovernmental Payable	(476)	1,739	925	0	2,188	0
Decrease in Claims Payable	0	0	0	0	0	(85,620)
Increase (Decrease) in Compensated Absences	3,809	4,298	(12,550)	2,795	(1,648)	0
Total Adjustments	<u>43,978</u>	<u>286,777</u>	<u>118,812</u>	<u>62,283</u>	<u>511,850</u>	<u>(85,525)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$265,130</u>	<u>\$1,836,480</u>	<u>(\$213,208)</u>	<u>(\$184,268)</u>	<u>\$1,704,134</u>	<u>\$2,728</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2005***

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	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 2,855
<b>Total Assets</b>	<u>2,855</u>
<b>Liabilities:</b>	
Due to Others	<u>2,855</u>
<b>Total Liabilities</b>	<u>2,855</u>
<b>Total Net Assets</b>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2005***

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

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

The financial statements are presented as of December 31, 2005 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

#### **A. Reporting Entity**

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

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

#### **1. Joint Ventures with Equity Interest:**

*Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV-1)* - OMEGA JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992 pursuant to a joint venture agreement under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Ohio, Inc Northeast Area Service Group. See Note 12 – "Joint Ventures"

*Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV-5)* - OMEGA JV-5 was organized by 42 subdivisions of the State of Ohio (the participants) on April 20, 1993 pursuant to a joint venture agreement under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to undertake the Belleville Hydroelectric Project. The participants are members of American Municipal Power-Ohio, Inc. See Note 12 – "Joint Ventures"

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2005*

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

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

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

***Governmental Funds*** - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except the resources accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

**General Fund** - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

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

**Capital Improvement Fund** - This fund is used to account for the financial resources used for the major capital projects undertaken by the City.

##### ***Proprietary Funds***

**Enterprise Funds** - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The City's major enterprise funds are:

**Water Fund** - This fund is used to account for the operation of the City's water service.

**Wastewater Fund** - This fund is used to account for the operation of the City's sanitary sewer service.

**Electric Fund** - This fund is used to account for the operation of the City's electric distribution services.

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2005*

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

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

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2005*

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

##### **D. Basis of Accounting**

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

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

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

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2005 but which are not intended to finance 2005 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

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



## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2005*

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

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

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

##### **E. Budgetary Process**

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

##### **1. Tax Budget**

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

##### **2. Estimated Resources**

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2005*

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

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

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

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During 2005, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General and Major Special Revenue Funds" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

##### **4. Encumbrances**

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

##### **5. Lapsing of Appropriations**

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

##### **6. Budgetary Basis of Accounting**

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

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

**E. Budgetary Process (Continued)**

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

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

	General Fund	Income Tax Fund
GAAP Basis (as reported)	\$60,336	(\$24,607)
Increase (Decrease):		
Accrued Revenues at December 31, 2005 received during 2006	(96,621)	(286,286)
Accrued Revenues at December 31, 2004 received during 2005	164,178	281,057
Accrued Expenditures at December 31, 2005 paid during 2006	84,242	5,589
Accrued Expenditures at December 31, 2004 paid during 2005	(57,858)	(3,297)
2004 Prepays for 2005	50,318	0
2005 Prepays for 2006	(53,564)	(101)
Outstanding Encumbrances	(67,678)	(1,769)
Budget Basis	\$83,353	(\$29,414)

**F. Cash and Cash Equivalents**

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

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2005***

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

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

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. The City allocates interest among the various funds as determined by City Ordinance. See Note 3, "Cash, Cash Equivalents and Investments."

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

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

##### **I. Capital Assets and Depreciation**

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

###### **1. Property, Plant and Equipment - Governmental Activities**

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

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

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

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

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

**J. Long-Term Obligations**

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2005*

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

##### **K. Compensated Absences**

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

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

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

Compensated absences are expensed in the Water, Wastewater, Electric and Public Safety Vehicle Service Funds when earned, and the related liability is reported within the fund.

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

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

## **CITY OF COLUMBIANA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2005***

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

##### **N. Interfund Activity**

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

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

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

##### **P. Operating Revenues and Expenses**

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

##### **Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during fiscal year 2005.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2005***

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

The fund deficits at December 31, 2005 of \$1,598 in the Cemetery Fund and \$26,903 in the Police Pension Fund (special revenue funds) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The General Fund provides transfers when cash is required, not when accruals occur.

#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;



**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

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

**A. Deposits**

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

At year end the carrying amount of the City's deposits was \$6,105,569 and the bank balance was \$6,524,395. Federal depository insurance covered \$300,000 of the bank balance and \$6,224,395 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$6,224,395</u>
Total Balance	<u><u>\$6,224,395</u></u>

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

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

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

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

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$5,470,931	\$634,638
Certificates of Deposit (with maturities of more than 3 months)	<u>634,638</u>	<u>(634,638)</u>
Per GASB Statement No. 3	<u><u>\$6,105,569</u></u>	<u><u>\$0</u></u>

**NOTE 4 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2005 were levied after October 1, 2004 on assessed values as of January 1, 2004 the lien date. Assessed values for real property are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed during 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by July 20.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

## **CITY OF COLUMBIANA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2005***

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#### **NOTE 4 - TAXES (Continued)**

##### **A. Property Taxes (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Columbiana. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2005 was \$4.30 per \$1,000 of assessed value. The assessed value upon which the 2005 levy was based was \$103,135,450. This amount constitutes \$88,614,160 in real property assessed value, \$2,209,550 in public utility assessed value and \$12,311,740 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the City's share is .43% (4.30 mills) of assessed value.

##### **B. Income Tax**

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

#### **NOTE 5 - RECEIVABLES**

Receivables at December 31, 2005 consisted of taxes, accounts receivable, special assessments, interest, and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

#### **NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2005:

Fund	Transfer In	Transfer Out
General Fund	\$726,500	\$559,000
Income Tax Fund	0	1,453,000
Capital Improvement Fund	967,292	0
Other Governmental Funds	361,000	44,878
Total Governmental Funds	2,054,792	2,056,878
Water Fund	287,790	0
Wastewater Fund	1,796	287,500
Total Proprietary Funds	289,586	287,500
Totals	\$2,344,378	\$2,344,378

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

**NOTE 7 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2005:

**Historical Cost:**

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<b>Capital assets not being depreciated:</b>				
Land	\$252,020	\$254,371	\$0	\$506,391
Construction in Progress	0	783,132	0	783,132
Subtotal	252,020	1,037,503	0	1,289,523
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	1,664,601	0	0	1,664,601
Improvements Other than Buildings	361,849	145,110	0	506,959
Infrastructure	0	55,525	0	55,525
Machinery and Equipment	1,774,276	79,218	0	1,853,494
Total Cost	<u>\$4,052,746</u>	<u>\$1,317,356</u>	<u>\$0</u>	<u>\$5,370,102</u>
<b>Accumulated Depreciation:</b>				
Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings and Improvements	(\$751,997)	(\$44,256)	\$0	(\$796,253)
Improvements Other than Buildings	(302,271)	(14,832)	0	(317,103)
Infrastructure	0	(1,851)	0	(1,851)
Machinery and Equipment	(1,220,717)	(80,919)	0	(1,301,636)
Total Accumulated Depreciation	<u>(\$2,274,985)</u>	<u>(\$141,858) *</u>	<u>\$0</u>	<u>(\$2,416,843)</u>
<b>Net Value:</b>	<u>\$1,777,761</u>			<u>\$2,953,259</u>

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

Security of Persons and Property	\$54,590
Leisure Time Activity	42,739
Public Health and Welfare	5,107
Transportation	20,776
General Government	18,646
Total Depreciation Expense	<u>\$141,858</u>

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

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

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

Summary by Category at December 31, 2005:

*Historical Cost:*

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<i>Capital assets not being depreciated:</i>				
Land	\$338,980	\$195,000	\$0	\$533,980
Construction in Progress	10,064,528	267,552	(4,639,125)	5,692,955
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	2,450,841	7,061,553	0	9,512,394
Improvements other than Buildings	48,064	78,820	0	126,884
Machinery and Equipment	4,313,941	2,051,666	0	6,365,607
Infrastructure	275,654	282,101	0	557,755
Total Cost	<u>\$17,492,008</u>	<u>\$9,936,692</u>	<u>(\$4,639,125)</u>	<u>\$22,789,575</u>

*Accumulated Depreciation:*

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings and Improvements	(\$779,951)	(\$152,200)	\$0	(\$932,151)
Improvements other than Buildings	(15,946)	(4,583)	0	(20,529)
Machinery and Equipment	(1,800,653)	(340,264)	0	(2,140,917)
Infrastructure	(81,681)	(12,852)	0	(94,533)
Total Accumulated Depreciation	<u>(\$2,678,231)</u>	<u>(\$509,899)</u>	<u>\$0</u>	<u>(\$3,188,130)</u>

<i>Net Value:</i>	<u>\$14,813,777</u>	<u>\$9,426,793</u>	<u>(\$4,639,125)</u>	<u>\$19,601,445</u>
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**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

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

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2005*

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

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2005, 2004, and 2003 were \$272,707, \$259,574 and \$257,382, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$80,504.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2005*

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

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

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2004. 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. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 369,214. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

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

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2005*

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5%. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004, and 2003 were \$152,514, \$125,705 and \$115,602, which were equal to the required contributions for each year.

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

The portion of the 2005 covered payroll that was used to fund postemployment health care benefits was \$60,614 representing 7.75% of covered payroll. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2005 the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 were \$108,039,449, which was net of member contributions of \$55,271,881.



**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

**NOTE 9 - NOTES PAYABLE**

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

	Balance December 31, 2004	Issued	(Retired)	Balance December 31, 2005
Capital Projects Fund Notes Payable:				
1.750% Street Improvements	\$160,000	\$0	(\$160,000)	\$0
3.750% Street Improvements	0	120,000	0	120,000
2.750% Pumper Fire Truck	140,000	0	(140,000)	0
3.750% Pumper Fire Truck	0	100,000	0	100,000
Total Capital Projects Fund Notes Payable	300,000	220,000	(300,000)	220,000
Enterprise Fund Note Payable:				
2.500% Route 14&7 Sanitary Sewer Improvements	5,585,000	0	(5,585,000)	0
2.500% Route 14&7 Sanitary Sewer Improvements	0	5,710,000	(5,710,000)	0
1.700% Electric System Improvements	350,000	0	(350,000)	0
3.100% Electric System Improvements	0	200,000	0	200,000
2.500% Utility Improvements	550,000	0	(550,000)	0
2.500% Utility Improvements	0	575,000	(575,000)	0
3.400% Water Main Improvement	0	130,000	0	130,000
Total Enterprise Fund Notes Payable	6,485,000	6,615,000	(12,770,000)	330,000
Total Notes Payable	\$6,785,000	\$6,835,000	(\$13,070,000)	\$550,000

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

**NOTE 10 - LONG-TERM OBLIGATIONS**

Activity in Long-Term Obligations in 2005 was as follows:

Interest Rate	Purpose	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005	Amount Due Within One Year
<b>Governmental Activities:</b>						
	Compensated Absences	\$57,893	\$57,729	(\$57,893)	\$57,729	\$34,705
	Total Governmental Activities	57,893	57,729	(57,893)	57,729	34,705
<b>Business-Type Activities:</b>						
Special Assessment Bonds:						
6.00%	Waterline Improvements	205,000	0	(5,000)	200,000	5,000
6.00%	Sanitary Sewer Improvements	230,000	0	(5,000)	225,000	10,000
4.25%	Sanitary Sewer Improvements	0	5,185,000	0	5,185,000	120,000
	Total Special Assessment Bonds	435,000	5,185,000	(10,000)	5,610,000	135,000
Mortgage Revenue Bond:						
4.13%	Wastewater Treatment System	0	7,227,000	0	7,227,000	68,200
Ohio Water Development Authority Loans:						
1.83%	Wastewater Treatment Improvements	7,227,000	0	(7,227,000)	0	0
5.89%	Sanitary Sewer Extension	12,244	0	0	12,244	0
	Total Ohio Water Development Authority Loans	7,239,244	0	(7,227,000)	12,244	0
Ohio Public Works Commission Loan:						
0.00%	Sanitary Sewer Lines	291,848	0	0	291,848	0
	Total Ohio Public Works Commission Loan	291,848	0	0	291,848	0
	Compensated Absences	40,620	38,972	(40,620)	38,972	16,917
	Total Business-Type Activities	8,006,712	12,450,972	(7,277,620)	13,180,064	220,117
	Total Other Long-Term Obligations	\$8,064,605	\$12,508,701	(\$7,335,513)	\$13,237,793	\$254,822

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

Years	Special Assessment Bonds		Mortgage Revenue Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$135,000	\$298,348	\$68,200	\$296,754	\$0	\$0	\$0	\$0
2007	195,000	238,464	77,100	293,707	12,244	4,496	\$14,592	0
2008	205,000	231,264	79,500	290,533	0	0	14,592	0
2009	220,000	223,714	83,600	287,224	0	0	14,592	0
2010	220,000	215,514	87,000	283,777	0	0	14,592	0
2011-2015	1,220,000	945,210	491,200	1,361,888	0	0	72,960	0
2016-2020	1,520,000	648,922	600,400	1,251,180	0	0	72,960	0
2021-2025	1,895,000	249,193	735,700	1,115,161	0	0	87,560	0
2026-2030	0	0	900,600	948,045	0	0	0	0
2031-2045	0	0	4,103,700	1,413,695	0	0	0	0
Totals	\$5,610,000	\$3,050,629	\$7,227,000	\$7,541,964	\$12,244	\$4,496	\$291,848	\$0

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

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**NOTE 11 – INSURANCE AND RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2005 the City contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Westfield Insurance Co.	Auto	\$1,000
Westfield Insurance Co.	Equipment	500
Western World Co.	Ambulance/Medical	0
Arch Insurance Group	Law Enforcement Liability	5,000
Tudor Inc.	Public Officials	25,000
Western World Co.	Volunteer Fire Department	0
Westfield Co.	Commercial Employee Crime	0

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

The City maintains a self-funded health insurance program that provides insurance coverages for full time employees. Claims are processed by a third party administrator on behalf of the City. A separate Self Insurance Fund (an internal service fund) was created to account for and finance the self insurance program.

The claims liability of \$32,876 reported in the fund at December 31, 2005 is based on requirements of GASB No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the claim can be reasonable estimated.

Changes in the Fund's claims liability amount in fiscal year 2005 was as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2004	\$98,301	\$692,839	(\$672,644)	\$118,496
2005	118,496	660,331	(745,951)	32,876

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2005***

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#### **NOTE 12 - JOINT VENTURES**

##### ***Joint Ventures with an Equity Interest***

***Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1)*** – The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1). Omega JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Inc. (AMP Ohio) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV-1 purchased its electric generating facilities known as the Engle Units, from AMP-Ohio in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's equity interest in OMEGA JV-1 was \$13,800 at December 31, 2005. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio at 2600 Airport Drive, Columbus, Ohio 43219, or from the City's Finance Director.

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005, Columbiana has met their debt coverage obligation.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2005***

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#### **NOTE 12 - JOINT VENTURES (Continued)**

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

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$154,081 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

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**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Water and Waste Disposal Systems for Rural Communities	06-02-04810	10.760	\$2,436,931 0
<b>U.S. DEPARTMENT OF ECONOMIC DEVELOPMENT</b>			
<i>Passed Through U.S. Department of Agriculture - Rural Development</i>			
Investments for Public Works and Economic Development Facilities	06-02-04810	11.300	1,922,557
<b>U.S. DEPARTMENT OF EMERGENCY MANAGEMENT</b>			
<i>Passed Through Ohio Department of Emergency Management</i>			
Disaster Grants - Public Assistance	029-17036-00	97.036	<u>19,124</u>
<b>Total</b>			<b><u><u>\$4,378,612</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
YEAR ENDED DECEMBER 31, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Columbiana (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures to express our opinion(s) on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated July 1, 2008, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated July 1, 2008, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

July 1, 2008



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the City Council:

#### Compliance

We have audited the compliance of City of Columbiana, (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Columbiana complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

#### Internal Control Over Compliance

The City's management 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 City's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

July 1, 2008

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**CITY OF COLUMBIANA**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 22, 2008**