

Columbiana County

Audited Financial Statements

December 31, 2006



Mary Taylor, CPA
Auditor of State

Board of Commissioners
Columbiana County
105 S. Market Street
Lisbon, Ohio 44432

We have reviewed the *Independent Auditor's Report* of Columbiana County prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 31, 2008

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COLUMBIANA COUNTY

DECEMBER 31, 2006

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January 10, 2008

Board of County Commissioners
Columbiana County
Lisbon OH, 44432

Independent Auditor's Report

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 Columbiana County (the "County"), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 117-02-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statement and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Columbiana County, Ohio as of December 31, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Public Assistance Fund, Mental Health Fund, MRDD Fund, and Motor Vehicle and Gas Tax Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 10, 2008 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with "*Government Auditing Standards*" and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the County as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 10, 2008. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

New Philadelphia, OH 44663

COLUMBIANA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

The management's discussion and analysis of Columbiana County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2006, within the limitations of the County's cash basis of accounting. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the cash basis basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- Ø The total net cash assets of the County decreased \$2,852,457. Net cash assets of governmental activities decreased \$2,849,193, or 8.90%, from fiscal year 2005. Net cash assets of business-type activities decreased \$3,264, or 0.17%, from fiscal year 2005.
- Ø General cash receipts accounted for \$22,833,315 or 30.37% of total governmental activities cash receipts. Program specific cash receipts accounted for \$52,340,776 or 69.63% of total governmental activities cash receipts of \$75,174,091.
- Ø The County had \$78,015,284 in cash disbursements related to governmental activities; \$52,340,776 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$22,833,315 were not adequate to provide for these programs.
- Ø The County's major governmental funds are the general fund, the public assistance fund, the mental health fund, the MR/DD fund, and the motor vehicle and gas tax fund. The general fund, the County's largest major fund, had cash receipts and other financing sources of \$16,021,545 in 2006. The cash disbursements and other financing uses of the general fund, totaled \$17,132,167 in 2006. The general fund's cash balance decreased \$1,110,622 from 2005 to 2006.
- Ø The public assistance fund, a County major fund, had cash receipts and other financing sources of \$12,636,169 in 2006. The public assistance fund had cash disbursements of \$12,615,051 in 2006. The public assistance fund cash balance increased \$21,118 from 2005 to 2006.
- Ø The mental health fund, a County major fund, had cash receipts of \$9,014,411 in 2006. The mental health fund had cash disbursements of \$9,959,103 in 2006. The mental health fund cash balance decreased \$944,692 from 2005 to 2006.
- Ø The MR/DD fund, a County major fund, had cash receipts of \$9,588,119 in 2006. The MR/DD fund had cash disbursements of \$10,539,703 in 2006. The MR/DD fund cash balance decreased \$951,584 from 2005 to 2006.
- Ø The motor vehicle and gas tax fund, a County major fund, had cash receipts of \$10,366,296 in 2006. The motor vehicle and gas tax fund had cash disbursements and other financing uses of \$10,036,207 in 2006. The motor vehicle and gas tax fund cash balance increased \$330,089 from 2005 to 2006.
- Ø The County's major business-type fund is the Sewer fund. The Sewer fund had \$1,950,333 in operating revenues and \$3,086,649 in operating expenses. The Sewer fund's cash balance increased by \$13,182 from \$1,770,257 to \$1,783,439 from 2005 to 2006.

COLUMBIANA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

Using this Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's cash basis of accounting. The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole County, presenting both an aggregate view of the County's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are five major governmental funds and one major business-type fund. The general fund is the largest major fund.

Reporting the County as a Whole

Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer the question, "How did we do financially during 2006?" These statements include *only net cash assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year receipts and disbursements if the cash is actually received or paid.

These two statements report the County's net cash assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the County as a whole, the cash basis financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, sales tax receipts, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the County is divided into two distinct kinds of activities. Governmental Activities - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The County's sewer, water and communication sheriff enterprise funds are reported as business activities.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis can be found on pages 14-16 of this report.

Reporting the County's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

COLUMBIANA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, public assistance, mental health, MR/DD, and motor vehicle and gas tax and major business-type fund is the sewer fund. The analysis of the County's major governmental funds begins on page 10.

Governmental Funds

Most of the County'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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, the only item resulting in a difference between the amount of net cash assets and fund cash balances or changes in net assets and changes in fund cash balances is the consolidation of the County's internal service fund with governmental activities. As such, a reconciliation is presented between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities – Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities – Cash Basis. The governmental fund statements can be found on pages 17-22 of this report.

The County's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General Fund and all annually budgeted major special revenue funds are presented to demonstrate the County's compliance with annually adopted budgets. The budgetary statements can be found on pages 23-27 of this report.

Proprietary Funds

The County maintains two types of proprietary funds. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the County as a whole. The County uses enterprise funds to account for its water, sewer, and communication sheriff operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for a self-funded health insurance program for employees of the County. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. The proprietary fund statements can be found on pages 28-29 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's only fiduciary funds are agency funds. Only the cash held at year end for the agency funds are reported on page 30.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-51 of this report.

COLUMBIANA COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Government-Wide Financial Analysis

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the County as a whole.

The table below provides a summary of the County's net cash assets for 2006 and 2005.

	Governmental Activities <u>2006</u>	Business-type Activities <u>2006</u>	Governmental Activities <u>2005</u>	Business-type Activities <u>2005</u>	<u>2006 Total</u>	<u>2005 Total</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 26,312,565	\$ 1,886,301	\$ 29,190,100	\$ 1,889,565	\$ 28,198,866	\$ 31,079,665
Cash with fiscal agent	<u>2,864,167</u>	<u>-</u>	<u>2,835,825</u>	<u>-</u>	<u>2,864,167</u>	<u>2,835,825</u>
Total assets	<u>29,176,732</u>	<u>1,886,301</u>	<u>32,025,925</u>	<u>1,889,565</u>	<u>31,063,033</u>	<u>33,915,490</u>
<u>Net Cash Assets</u>						
Restricted	26,666,060	-	28,118,062	-	26,666,060	28,118,062
Unrestricted	<u>2,510,672</u>	<u>1,886,301</u>	<u>3,907,863</u>	<u>1,889,565</u>	<u>4,396,973</u>	<u>5,797,428</u>
Total net cash assets	<u>\$ 29,176,732</u>	<u>\$ 1,886,301</u>	<u>\$ 32,025,925</u>	<u>\$ 1,889,565</u>	<u>\$ 31,063,033</u>	<u>\$ 33,915,490</u>

The total net cash assets of the County decreased \$2,852,457. Net cash assets of governmental activities decreased \$2,849,193, which represents a 8.90% decrease from fiscal year 2005. Net cash assets of business-type activities decreased \$3,264 or 0.17% from fiscal year 2005.

A portion of the County's net cash assets, \$26,666,060, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash assets of \$4,396,973 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal years 2006 and 2005. Certain 2005 amounts have been reclassified to conform to the 2006 presentation.

COLUMBIANA COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

			Change in Net Cash Assets		2006	2005
	Governmental	Business-type	Restated	Restated		
	Activities	Activities	Governmental	Business-type		
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>Total</u>	<u>Total</u>
Cash Receipts:						
Program cash receipts:						
Charges for services and sales	\$ 8,310,163	\$ 2,132,251	\$ 11,518,739	\$ 2,133,340	\$ 10,442,414	\$ 13,652,079
Operating grants and contributions	39,063,475	393,515	41,297,971	41,391	39,456,990	41,339,362
Capital grants and contributions	4,967,138	343,495	467,500	-	5,310,633	467,500
Total program cash receipts	<u>52,340,776</u>	<u>2,869,261</u>	<u>53,284,210</u>	<u>2,174,731</u>	<u>55,210,037</u>	<u>55,458,941</u>
General cash receipts:						
Property taxes	8,340,109	-	9,227,362	-	8,340,109	9,227,362
Sales tax	8,231,166	-	12,180,120	-	8,231,166	12,180,120
Unrestricted grants	2,508,775	-	2,409,191	-	2,508,775	2,409,191
Proceeds from sale of notes	121,488	-	1,070,000	302,692	121,488	1,372,692
Proceeds from sale of bonds	792,637	596,137	148,449	-	1,388,774	148,449
Proceeds from OWDA loans	-	397,091	-	-	397,091	-
Investment earnings	1,769,956	37,723	977,292	19,408	1,807,679	996,700
Other	1,069,184	217,992	3,857,875	288,633	1,287,176	4,146,508
Total general cash receipts	<u>22,833,315</u>	<u>1,248,943</u>	<u>29,870,289</u>	<u>610,733</u>	<u>24,082,258</u>	<u>30,481,022</u>
Total cash receipts	<u>75,174,091</u>	<u>4,118,204</u>	<u>83,154,499</u>	<u>2,785,464</u>	<u>79,292,295</u>	<u>85,939,963</u>
Cash Disbursements:						
General government:						
Legislative and executive	6,998,290	-	5,289,982	-	6,998,290	5,289,982
Judicial	5,046,265	-	4,685,439	-	5,046,265	4,685,439
Public safety	6,665,133	-	7,199,409	-	6,665,133	7,199,409
Public works	10,654,419	-	7,391,198	-	10,654,419	7,391,198
Health	10,423,024	-	16,813,460	-	10,423,024	16,813,460
Human services	32,687,259	-	31,583,722	-	32,687,259	31,583,722
Economic development	2,050,579	-	982,381	-	2,050,579	982,381
Other	223,301	-	1,621,882	-	223,301	1,621,882
Capital outlay	1,211,991	-	3,765,672	-	1,211,991	3,765,672
Debt service:						
Principal retirement	1,224,929	-	1,073,532	-	1,224,929	1,073,532
Interest and fiscal charges	830,094	-	748,372	-	830,094	748,372
Sewer	-	3,361,619	-	1,882,435	3,361,619	1,882,435
Water	-	754,534	-	681,075	754,534	681,075
Communication sheriff	-	13,315	-	27,369	13,315	27,369
Total cash disbursements	<u>78,015,284</u>	<u>4,129,468</u>	<u>81,155,049</u>	<u>2,590,879</u>	<u>82,144,752</u>	<u>83,745,928</u>
Transfers	(8,000)	8,000	(13,175)	13,175	-	-
Change in net cash assets	(2,849,193)	(3,264)	1,986,275	207,760	(2,852,457)	2,194,035
Net cash assets at beginning of year	<u>32,025,925</u>	<u>1,889,565</u>	<u>30,039,650</u>	<u>1,681,805</u>	<u>33,915,490</u>	<u>31,721,455</u>
Net cash assets at end of year	<u>\$ 29,176,732</u>	<u>\$ 1,886,301</u>	<u>\$ 32,025,925</u>	<u>\$ 1,889,565</u>	<u>\$ 31,063,033</u>	<u>\$ 33,915,490</u>

COLUMBIANA COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

Governmental Activities

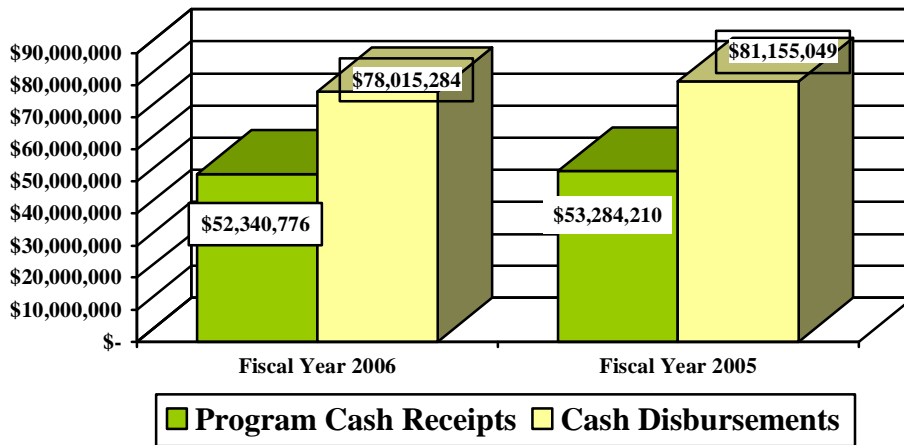
Governmental net cash assets decreased by \$2,849,193 in 2006 from 2005. This decrease is primarily due to a decrease of program specific receipts mainly in the area of charges for services.

General government represents activities related to the governing body as well as activities that directly support County programs. In 2006, general government net cash disbursements totaled \$12,044,555, or 15.44% of total governmental cash disbursements. General government programs were supported by \$6,233,225 in direct charges to users, operating grants and contributions, and capital grants and contributions.

The County's human services programs accounted for \$32,687,259 or 41.90% of total governmental activities cash disbursements. Human service programs include Public Assistance, MR/DD, Child Support Enforcement, and Children Services. Human service programs are supported by \$22,995,595 in direct charges to users, operating grants and contributions and capital grants and contributions.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



COLUMBIANA COUNTY, OHIO

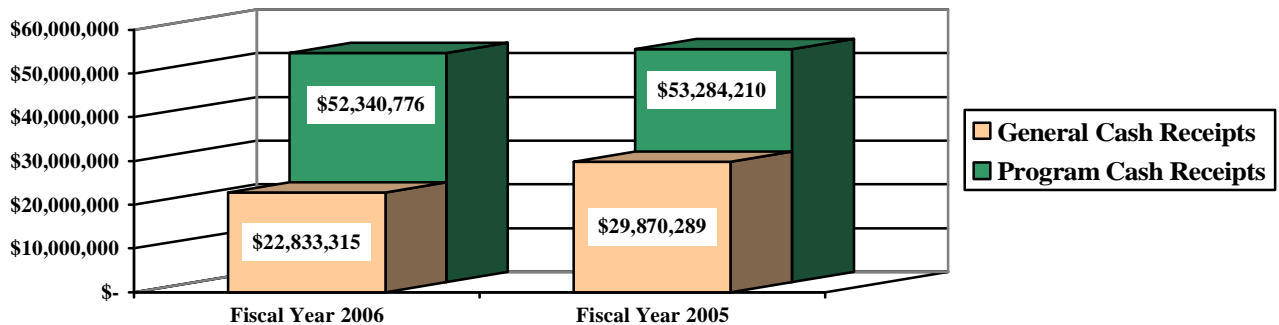
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

The table below shows the changes in net cost of services for fiscal years 2006 and 2005. Certain 2005 amounts have been reclassified to conform with 2006 presentation.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Restated Total Cost of Services	Restated Net Cost of Services
	2006	2006	2005	2005
Cash disbursements:				
General government:				
Legislative and executive	\$ 6,998,290	\$ 2,306,708	\$ 5,289,982	\$ 2,882,209
Judicial	5,046,265	3,504,622	4,685,439	(1,019,626)
Public safety	6,665,133	4,469,734	7,199,409	5,015,914
Public works	10,654,419	594,012	7,391,198	625,050
Health	10,423,024	3,011,543	16,813,460	1,489,455
Human services	32,687,259	9,691,664	31,583,722	12,289,069
Economic development	2,050,579	24,252	982,381	(12,691)
Other	223,301	6,118	1,621,882	1,481,383
Capital outlay	1,211,991	10,832	3,765,672	3,298,172
Debt service:				
Principal retirement	1,224,929	1,224,929	1,073,532	1,073,532
Interest and fiscal charges	830,094	830,094	748,372	748,372
Total	\$ 78,015,284	\$ 25,674,508	\$ 81,155,049	\$ 27,870,839

The dependence upon general cash receipts for governmental activities is apparent with 33.05% of cash disbursements supported through taxes and other general cash receipts during 2006.

Governmental Activities - General and Program Cash Receipts



COLUMBIANA COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Business-Type Activities

The Sewer, Water and Sheriff Communication funds are the County's enterprise funds. These programs had cash receipts (both operating and non-operating) of \$4,118,204, cash disbursements (both operating and non-operating) of \$4,129,468 and transfers in of \$8,000 for fiscal year 2006. The net cash assets of the programs decreased \$3,264 from 2005.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The County's governmental funds are accounted for using the cash basis of accounting.

The County's governmental funds reported a combined fund cash balance of \$28,304,351, which is \$2,518,407 below last year's total of \$30,822,758. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2006 and December 31, 2005, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>December 31, 2006</u>	Restated Fund Cash Balance <u>December 31, 2005</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$ 1,915,814	\$ 3,026,436	\$ (1,110,622)
Public Assistance	1,286,451	1,265,333	21,118
Mental Health	2,319,741	3,264,433	(944,692)
MR/DD	10,258,656	11,210,240	(951,584)
Motor Vehicle and Gas Tax	2,580,198	2,250,109	330,089
Other Nonmajor Governmental Funds	<u>9,943,491</u>	<u>9,806,207</u>	<u>137,284</u>
Total	<u>\$ 28,304,351</u>	<u>\$ 30,822,758</u>	<u>\$ (2,518,407)</u>

General Fund

The general fund, the County's largest major fund, had cash receipts and other financing sources of \$16,021,545 in 2006. The cash disbursements and other financing uses of the general fund, totaled \$17,132,167 in 2006. The general fund's cash balance decreased \$1,110,622 from 2005 to 2006.

COLUMBIANA COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 8,231,166	\$ 12,180,120	(32.42) %
Charges for services	2,905,273	2,579,254	12.64 %
Licenses and permits	7,094	9,377	(24.35) %
Fines and forfeitures	219,472	418,527	(47.56) %
Intergovernmental	2,508,775	2,409,191	4.13 %
Investment income	1,608,058	950,377	69.20 %
Other	<u>410,853</u>	<u>649,252</u>	(36.72) %
Total	<u>\$ 15,890,691</u>	<u>\$ 19,196,098</u>	(17.22) %

Taxes decreased due to the sales tax rate decreasing from 1.5% to 1.0% in 2006. Licenses and permits and fines and forfeitures decreased as a result of fewer licenses and fines issued by the County in 2006. Investment income increased as a result of higher interest rates and the timing of maturity of certain investments. All other receipts remained comparable to 2005.

The table that follows assists in illustrating the cash disbursements of the general fund. Certain 2005 amounts have been reclassified to conform to the 2006 presentation.

	<u>2006</u> <u>Amount</u>	<u>Restated</u> <u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
General government:			
Legislative and executive	\$ 4,336,181	\$ 4,108,915	5.53 %
Judicial	4,525,367	4,149,831	9.05 %
Public safety	5,028,033	5,258,757	(4.39) %
Public works	7,875	281,493	(97.20) %
Health	74,068	116,448	(36.39) %
Human services	1,202,935	1,258,152	(4.39) %
Other	127,793	1,652,573	(92.27) %
Debt service	<u>112,579</u>	<u>112,580</u>	(0.00) %
Total	<u>\$ 15,414,831</u>	<u>\$ 16,938,749</u>	(9.00) %

All cash disbursements decreased, with the exception of general government which consists of legislative and executive and judicial which remained consistent with the prior year. These decreases can be attributed to overall cuts implemented by the County due to the decreased tax receipts mentioned above.

Public Assistance Fund

The public assistance fund, a County major fund, had cash receipts and other financing sources of \$12,636,169 in 2006. The public assistance fund had cash disbursements of \$12,615,051 in 2006. The public assistance fund cash balance increased \$21,118 from 2005 to 2006.

COLUMBIANA COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Mental Health Fund

The mental health fund, a County major fund, had cash receipts of \$9,014,411 in 2006. The mental health fund had cash disbursements of \$9,959,103 in 2006. The mental health fund cash balance decreased \$944,692 from 2005 to 2006.

MR/DD Fund

The MR/DD fund, a County major fund, had cash receipts of \$9,588,119 in 2006. The MR/DD fund had cash disbursements of \$10,539,703 in 2006. The MR/DD fund cash balance decreased \$951,584 from 2005 to 2006.

Motor Vehicle and Gas Tax Fund

The motor vehicle and gas tax fund, a County major fund, had cash receipts of \$10,366,296 in 2006. The motor vehicle and gas tax fund had cash disbursements and other financing uses of \$10,036,207 in 2006. The motor vehicle and gas tax fund cash balance increased \$330,089 from 2005 to 2006.

Budgeting Highlights - General Fund

The County'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.

For the general fund, final budget basis receipts and other financing sources were \$3,268,080 above original budget estimates of \$14,093,027. Actual cash receipts and other financing sources of \$16,021,545 were less than final budget estimates by \$1,339,562. The final budgetary basis disbursements and other financing uses of \$17,933,089 were \$958,851 above original budget estimates. The actual budgetary basis disbursements and other financing uses of \$17,971,059 were \$37,970 more than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$1,211,991 for governmental activities and \$1,846,239 for business-type activities during fiscal year 2006.

Debt Administration

The County had the following long-term obligations outstanding at December 31, 2006 and 2005:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
General Obligation Notes	\$ 1,848,999	\$ 2,355,189
General Obligation Bonds	<u>12,666,028</u>	<u>12,319,000</u>
Total long-term obligations	<u>\$ 14,515,027</u>	<u>\$ 14,674,189</u>

COLUMBIANA COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2005</u>
General Obligation Bonds	\$ 1,298,000	\$ 1,325,000
Mortgage Revenue Bonds	2,800,692	2,331,815
OWDA Loans	1,715,523	1,482,919
OPWC Loans	<u>174,647</u>	<u>202,467</u>
Total long-term obligations	<u>\$ 5,988,862</u>	<u>\$ 5,342,201</u>

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2006:

The County's unemployment rate is currently 6.6%, compared to the 5.9% state average and the 4.9% national average.

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 20% in the next biennial State budget. These funds represented 15.19% of the County's general fund receipts in 2006. Sales tax receipts are expected to decrease from a drop in the sales tax percentage. Property tax revenues are expected to remain consistent as well as cash disbursements.

These economic factors were considered in preparing the County's budget for fiscal year 2007. Budgeted receipts and other financing sources in the general fund for fiscal year 2007 are \$17,361,107. The County has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Nancy Milliken, Columbiana County Auditor, 105 Market Street, Lisbon, Ohio 44432.

COLUMBIANA COUNTY, OHIO

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 26,312,565	\$ 1,886,301	\$ 28,198,866
Cash with fiscal agent	<u>2,864,167</u>	<u>-</u>	<u>2,864,167</u>
 Total assets.	 <u>29,176,732</u>	 <u>1,886,301</u>	 <u>31,063,033</u>
Net cash assets:			
Restricted for:			
Public safety programs.	1,242,935	-	1,242,935
Public works projects	2,480,967	-	2,480,967
Human services programs	14,927,592	-	14,927,592
Health services	2,408,140	-	2,408,140
Debt service.	1,971,641	-	1,971,641
Capital projects	1,704,296	-	1,704,296
Unclaimed monies.	277,523	-	277,523
Other purposes	1,652,966	-	1,652,966
Unrestricted	<u>2,510,672</u>	<u>1,886,301</u>	<u>4,396,973</u>
 Total cash net assets	 <u>\$ 29,176,732</u>	 <u>\$ 1,886,301</u>	 <u>\$ 31,063,033</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive.	\$ 6,998,290	\$ 3,375,105	\$ 174,594	\$ 1,141,883
Judicial.	5,046,265	1,541,643	-	-
Public safety	6,665,133	823,195	1,372,204	-
Public works	10,654,419	724,804	6,242,729	3,092,874
Health	10,423,024	253,281	7,158,200	-
Human services.	32,687,259	550,342	22,089,421	355,832
Economic development and assistance	2,050,579	-	2,026,327	-
Other	223,301	217,183	-	-
Capital outlay.	1,211,991	824,610	-	376,549
Debt service:				
Principal retirement	1,224,929	-	-	-
Interest and fiscal charges	830,094	-	-	-
Total governmental activities	<u>78,015,284</u>	<u>8,310,163</u>	<u>39,063,475</u>	<u>4,967,138</u>
Business-Type activities:				
Sewer.	3,361,619	1,804,228	352,586	40,931
Water	754,534	305,323	40,929	302,564
Communication Sheriff	13,315	22,700	-	-
Total business-type activities	<u>4,129,468</u>	<u>2,132,251</u>	<u>393,515</u>	<u>343,495</u>
Totals	<u>\$ 82,144,752</u>	<u>\$ 10,442,414</u>	<u>\$ 39,456,990</u>	<u>\$ 5,310,633</u>

General Cash Receipts and Transfers:

Property taxes levied for:

- Human services - Mental Health Center
- Human services - MR/DD
- Human services - Children services
- Debt service

- Sales taxes
- Grants and entitlements not restricted to specific programs
- Sale of notes
- Sale of bonds
- OWDA loan
- Investment receipts.
- Miscellaneous

Total general cash receipts.

Transfers.

Total general cash receipts and transfers

Change in net cash assets

Net cash assets at beginning of year (restated - see Note 15).

Net cash assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ (2,306,708)	\$ -	\$ (2,306,708)
(3,504,622)	-	(3,504,622)
(4,469,734)	-	(4,469,734)
(594,012)	-	(594,012)
(3,011,543)	-	(3,011,543)
(9,691,664)	-	(9,691,664)
(24,252)	-	(24,252)
(6,118)	-	(6,118)
(10,832)	-	(10,832)
(1,224,929)	-	(1,224,929)
(830,094)	-	(830,094)
<u>(25,674,508)</u>	<u>-</u>	<u>(25,674,508)</u>
-	(1,163,874)	(1,163,874)
-	(105,718)	(105,718)
-	9,385	9,385
<u>-</u>	<u>(1,260,207)</u>	<u>(1,260,207)</u>
<u>(25,674,508)</u>	<u>(1,260,207)</u>	<u>(26,934,715)</u>
1,685,795	-	1,685,795
5,493,674	-	5,493,674
888,201	-	888,201
272,439	-	272,439
8,231,166	-	8,231,166
2,508,775	-	2,508,775
121,488	-	121,488
792,637	596,137	1,388,774
-	397,091	397,091
1,769,956	37,723	1,807,679
1,069,184	217,992	1,287,176
<u>22,833,315</u>	<u>1,248,943</u>	<u>24,082,258</u>
<u>(8,000)</u>	<u>8,000</u>	<u>-</u>
<u>22,825,315</u>	<u>1,256,943</u>	<u>24,082,258</u>
(2,849,193)	(3,264)	(2,852,457)
<u>32,025,925</u>	<u>1,889,565</u>	<u>33,915,490</u>
<u>\$ 29,176,732</u>	<u>\$ 1,886,301</u>	<u>\$ 31,063,033</u>

COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Public Assistance</u>	<u>Mental Health</u>	<u>MR/DD</u>
Cash assets:				
Equity in pooled cash and cash equivalents	\$ 1,915,814	\$ 1,286,451	\$ 2,319,741	\$ 7,394,489
Cash with fiscal agent	-	-	-	2,864,167
Total assets	<u>\$ 1,915,814</u>	<u>\$ 1,286,451</u>	<u>\$ 2,319,741</u>	<u>\$ 10,258,656</u>
Fund cash balances:				
Reserved for encumbrances	838,892	468,874	-	110,585
Reserved for unclaimed monies	277,523	-	-	-
Unreserved, undesignated, reported in:				
General fund	799,399	-	-	-
Special revenue funds	-	817,577	2,319,741	10,148,071
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund cash balances	<u>\$ 1,915,814</u>	<u>\$ 1,286,451</u>	<u>\$ 2,319,741</u>	<u>\$ 10,258,656</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Motor Vehicle and Gas Tax	Other Governmental Funds	Total Governmental Funds
\$ 2,580,198	\$ 9,943,491	\$ 25,440,184
-	-	2,864,167
<u>\$ 2,580,198</u>	<u>\$ 9,943,491</u>	<u>\$ 28,304,351</u>
102,690	78,827	1,599,868
-	-	277,523
-	-	799,399
2,477,508	6,257,064	22,019,961
-	1,971,641	1,971,641
-	1,635,959	1,635,959
<u>\$ 2,580,198</u>	<u>\$ 9,943,491</u>	<u>\$ 28,304,351</u>

COLUMBIANA COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND CASH BALANCES TO
NET ASSETS - CASH BASIS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Total governmental fund cash balances \$ 28,304,351

*Amounts reported for governmental activities in the
statement of net assets - cash basis are different because:*

An internal service fund is used by management to charge the costs of health insurance to individual funds. The net cash assets of the internal service fund are included in governmental activities in the statement of net assets - cash basis. The net cash assets of the internal service fund are:

872,381

Net cash assets of governmental activities

\$ 29,176,732

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Public Assistance</u>	<u>Mental Health</u>	<u>MR/DD</u>
Cash receipts:				
Property taxes	\$ -	\$ -	\$ 1,685,795	\$ 5,493,674
Sales taxes	8,231,166	-	-	-
Charges for services	2,905,273	-	132,784	20,903
Licenses and permits	7,094	-	-	-
Fines and forfeitures	219,472	-	-	-
Intergovernmental	2,508,775	12,260,271	7,195,832	4,056,151
Investment income	1,608,058	-	-	-
Rental income	84,046	-	-	-
Other	326,807	-	-	17,391
Total cash receipts	<u>15,890,691</u>	<u>12,260,271</u>	<u>9,014,411</u>	<u>9,588,119</u>
Cash disbursements:				
Current:				
General government:				
Legislative and executive	4,336,181	-	-	-
Judicial	4,525,367	-	-	-
Public Safety	5,028,033	-	-	-
Public works	7,875	-	-	-
Health	74,068	-	9,959,103	-
Human Services	1,202,935	12,615,051	-	10,539,703
Economic development and assistance	-	-	-	-
Other	127,793	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	53,187	-	-	-
Interest and fiscal charges	59,392	-	-	-
Total cash disbursements	<u>15,414,831</u>	<u>12,615,051</u>	<u>9,959,103</u>	<u>10,539,703</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>475,860</u>	<u>(354,780)</u>	<u>(944,692)</u>	<u>(951,584)</u>
Other financing sources (uses):				
Sale of notes	9,488	-	-	-
Sale of bonds	-	-	-	-
Advances in	101,366	-	-	-
Advances out	(164,817)	-	-	-
Transfers in	20,000	375,898	-	-
Transfers out	(1,552,519)	-	-	-
Total other financing sources (uses)	<u>(1,586,482)</u>	<u>375,898</u>	<u>-</u>	<u>-</u>
Net change in fund cash balances	(1,110,622)	21,118	(944,692)	(951,584)
Fund cash balances at				
beginning of year (restated - see Note 15).	3,026,436	1,265,333	3,264,433	11,210,240
Fund cash balances at end of year	<u>\$ 1,915,814</u>	<u>\$ 1,286,451</u>	<u>\$ 2,319,741</u>	<u>\$ 10,258,656</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Motor Vehicle and Gas Tax	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,160,640	\$ 8,340,109
-	-	8,231,166
678,064	3,632,746	7,369,770
-	284,490	291,584
46,740	296,631	562,843
9,335,603	11,182,756	46,539,388
161,898	-	1,769,956
-	-	84,046
143,991	582,915	1,071,104
<u>10,366,296</u>	<u>17,140,178</u>	<u>74,259,966</u>
-	2,622,147	6,958,328
-	438,875	4,964,242
-	1,605,887	6,633,920
9,780,049	822,587	10,610,511
-	387,409	10,420,580
-	8,208,842	32,566,531
-	2,050,579	2,050,579
-	85,000	212,793
-	1,211,991	1,211,991
152,388	1,019,354	1,224,929
10,770	759,932	830,094
<u>9,943,207</u>	<u>19,212,603</u>	<u>77,684,498</u>
<u>423,089</u>	<u>(2,072,425)</u>	<u>(3,424,532)</u>
-	112,000	121,488
-	792,637	792,637
-	164,817	266,183
-	(101,366)	(266,183)
-	1,607,727	2,003,625
<u>(93,000)</u>	<u>(366,106)</u>	<u>(2,011,625)</u>
<u>(93,000)</u>	<u>2,209,709</u>	<u>906,125</u>
330,089	137,284	(2,518,407)
2,250,109	9,806,207	30,822,758
<u>\$ 2,580,198</u>	<u>\$ 9,943,491</u>	<u>\$ 28,304,351</u>

COLUMBIANA COUNTY, OHIO

**RECONCILIATION OF THE STATEMENT OF CASH BASIS RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net change in fund cash balances - total governmental funds \$ (2,518,407)

*Amounts reported for governmental activities in the
statement of activities - modified cash basis are different because:*

An internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the government-wide statement of activities - cash basis. Governmental fund cash disbursements and the related internal service fund cash receipts are eliminated. The net change in net assets of the internal service fund is allocated among the governmental activities.

(330,786)

Change in net cash assets of governmental activities

\$ (2,849,193)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Sales taxes	\$ 7,333,340	\$ 9,033,894	\$ 8,231,166	\$ (802,728)
Charges for services	2,588,376	3,188,601	2,905,273	(283,328)
Licenses and permits.	6,320	7,786	7,094	(692)
Fines and forfeitures.	195,533	240,876	219,472	(21,404)
Intergovernmental	2,145,204	2,743,595	2,508,775	(234,820)
Investment income	1,248,577	1,538,114	1,608,058	69,944
Rental income	-	84,046	84,046	-
Other	575,677	524,195	326,807	(197,388)
Total budgetary basis receipts	<u>14,093,027</u>	<u>17,361,107</u>	<u>15,890,691</u>	<u>(1,470,416)</u>
Budgetary basis disbursements:				
General government:				
Legislative and executive	4,217,466	4,374,797	4,497,977	(123,180)
Judicial.	3,920,237	4,593,671	4,526,272	67,399
Public safety	5,039,447	5,705,950	5,693,282	12,668
Public works	158,991	7,946	7,875	71
Health	108,529	101,911	84,068	17,843
Human services	912,925	465,521	306,243	159,278
Other	859,170	950,090	1,025,427	(75,337)
Debt service:				
Principal retirement	53,187	53,187	53,187	-
Interest and fiscal charges	59,392	59,392	59,392	-
Total budgetary basis disbursements.	<u>15,329,344</u>	<u>16,312,465</u>	<u>16,253,723</u>	<u>58,742</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(1,236,317)</u>	<u>1,048,642</u>	<u>(363,032)</u>	<u>(1,411,674)</u>
Other financing sources (uses):				
Sale of notes	-	-	9,488	9,488
Transfers in.	-	-	20,000	20,000
Transfers out.	(1,626,894)	(1,602,624)	(1,552,519)	50,105
Advances in	-	-	101,366	101,366
Advances out	-	-	(164,817)	(164,817)
Total other financing sources (uses)	<u>(1,626,894)</u>	<u>(1,602,624)</u>	<u>(1,586,482)</u>	<u>16,142</u>
Net change in fund cash balance	(2,863,211)	(553,982)	(1,949,514)	(1,395,532)
Fund cash balance at beginning of year	2,457,923	2,457,923	2,457,923	-
Prior year encumbrances appropriated	568,513	568,513	568,513	-
Fund cash balance at end of year.	<u>\$ 163,225</u>	<u>\$ 2,472,454</u>	<u>\$ 1,076,922</u>	<u>\$ (1,395,532)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 PUBLIC ASSISTANCE FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Intergovernmental	\$ 8,500,000	\$ 12,776,482	\$ 12,260,271	\$ (516,211)
Total budgetary basis receipts	<u>8,500,000</u>	<u>12,776,482</u>	<u>12,260,271</u>	<u>(516,211)</u>
Budgetary basis disbursements:				
Current:				
Human Services	8,887,953	13,540,333	13,083,925	456,408
Total budgetary basis disbursements	<u>8,887,953</u>	<u>13,540,333</u>	<u>13,083,925</u>	<u>456,408</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(387,953)</u>	<u>(763,851)</u>	<u>(823,654)</u>	<u>(59,803)</u>
Other financing sources:				
Transfers in.	-	375,898	375,898	-
Total other financing sources.	<u>-</u>	<u>375,898</u>	<u>375,898</u>	<u>-</u>
Net change in fund cash balance	(387,953)	(387,953)	(447,756)	(59,803)
Fund cash balance at beginning of year	877,380	877,380	877,380	-
Prior year encumbrances appropriated	<u>387,953</u>	<u>387,953</u>	<u>387,953</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 877,380</u>	<u>\$ 877,380</u>	<u>\$ 817,577</u>	<u>\$ (59,803)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 MENTAL HEALTH FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
Property taxes	\$ 2,029,931	\$ 2,382,749	\$ 1,685,795	\$ (696,954)
Charges for services	147,302	172,904	132,784	(40,120)
Intergovernmental	<u>7,822,767</u>	<u>9,182,425</u>	<u>7,195,832</u>	<u>(1,986,593)</u>
Total budgetary basis receipts	<u>10,000,000</u>	<u>11,738,078</u>	<u>9,014,411</u>	<u>(2,723,667)</u>
Budgetary basis disbursements:				
Current:				
Health	<u>10,014,081</u>	<u>11,752,159</u>	<u>9,959,103</u>	<u>1,793,056</u>
Total budgetary basis disbursements.	<u>10,014,081</u>	<u>11,752,159</u>	<u>9,959,103</u>	<u>1,793,056</u>
Net change in fund cash balance	(14,081)	(14,081)	(944,692)	(930,611)
Fund cash balance at beginning of year	3,250,352	3,250,352	3,250,352	-
Prior year encumbrances appropriated	<u>14,081</u>	<u>14,081</u>	<u>14,081</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 3,250,352</u>	<u>\$ 3,250,352</u>	<u>\$ 2,319,741</u>	<u>\$ (930,611)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 MR/DD FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Property taxes	\$ 6,821,013	\$ 10,322,033	\$ 5,493,674	\$ (4,828,359)
Charges for services	23,818	37,763	20,903	(16,860)
Intergovernmental	3,622,735	6,592,219	4,056,151	(2,536,068)
Other	425,267	318,423	17,391	(301,032)
Total budgetary basis receipts	<u>10,892,833</u>	<u>17,270,438</u>	<u>9,588,119</u>	<u>(7,682,319)</u>
Budgetary basis disbursements:				
Current:				
Human services	<u>10,896,641</u>	<u>11,374,392</u>	<u>10,650,288</u>	<u>724,104</u>
Total budgetary basis disbursements	<u>10,896,641</u>	<u>11,374,392</u>	<u>10,650,288</u>	<u>724,104</u>
Net change in fund cash balance	(3,808)	5,896,046	(1,062,169)	(6,958,215)
Fund cash balance at beginning of year (restated - see Note 14)	11,206,432	11,206,432	11,206,432	-
Prior year encumbrances appropriated	<u>3,808</u>	<u>3,808</u>	<u>3,808</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ 11,206,432</u>	<u>\$ 17,106,286</u>	<u>\$ 10,148,071</u>	<u>\$ (6,958,215)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
 CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 MOTOR VEHICLE AND GAS TAX FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Charges for services	\$ -	\$ 678,064	\$ 678,064	\$ -
Fines and forfeitures	50,124	56,868	46,740	(10,128)
Intergovernmental	6,593,029	10,667,851	9,335,603	(1,332,248)
Investment income	173,619	196,981	161,898	(35,083)
Other	983,228	342,671	143,991	(198,680)
Total budgetary basis receipts	<u>7,800,000</u>	<u>11,942,435</u>	<u>10,366,296</u>	<u>(1,576,139)</u>
Budgetary basis disbursements:				
Current:				
Public Works	7,310,442	10,715,158	9,882,739	832,419
Debt service:				
Principal retirement	-	152,388	152,388	-
Interest and fiscal charges	-	10,770	10,770	-
Total budgetary basis disbursements	<u>7,310,442</u>	<u>10,878,316</u>	<u>10,045,897</u>	<u>832,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>489,558</u>	<u>1,064,119</u>	<u>320,399</u>	<u>(743,720)</u>
Other financing (uses):				
Transfers out	<u>(93,000)</u>	<u>(93,000)</u>	<u>(93,000)</u>	<u>-</u>
Total other financing (uses)	<u>(93,000)</u>	<u>(93,000)</u>	<u>(93,000)</u>	<u>-</u>
Net change in fund cash balance	396,558	971,119	227,399	(743,720)
Fund cash balance at beginning of year	2,046,667	2,046,667	2,046,667	-
Prior year encumbrances appropriated	<u>203,442</u>	<u>203,442</u>	<u>203,442</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ 2,646,667</u>	<u>\$ 3,221,228</u>	<u>\$ 2,477,508</u>	<u>\$ (743,720)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO
STATEMENT OF NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Nonmajor</u> <u>Enterprise Funds</u>	<u>Total</u>	<u>Activities -</u> <u>Internal Service</u> <u>Fund</u>
Assets:				
Equity in pooled cash and cash equivalents. . .	\$ 1,783,439	\$ 102,862	\$ 1,886,301	\$ 872,381
Total assets	<u>1,783,439</u>	<u>102,862</u>	<u>1,886,301</u>	<u>872,381</u>
Net cash assets:				
Unrestricted.	<u>1,783,439</u>	<u>102,862</u>	<u>1,886,301</u>	<u>872,381</u>
Total net cash assets.	<u>\$ 1,783,439</u>	<u>\$ 102,862</u>	<u>\$ 1,886,301</u>	<u>\$ 872,381</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH BASIS RECEIPTS,
DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Activities - Internal Service Fund</u>
Operating cash receipts:				
Charges for services	\$ 1,804,228	\$ 328,023	\$ 2,132,251	\$ 4,089,848
Other	146,105	71,887	217,992	-
Total operating cash receipts	<u>1,950,333</u>	<u>399,910</u>	<u>2,350,243</u>	<u>4,089,848</u>
Operating cash disbursements:				
Personal services	591,608	39,543	631,151	325,411
Contractual services	754,544	279,757	1,034,301	-
Materials and supplies	128,338	13,315	141,653	-
Capital outlay.	1,494,540	351,699	1,846,239	-
Claims.	-	-	-	4,095,223
Other	117,619	28,000	145,619	-
Total operating cash disbursements.	<u>3,086,649</u>	<u>712,314</u>	<u>3,798,963</u>	<u>4,420,634</u>
Operating cash receipts under operating cash disbursements	<u>(1,136,316)</u>	<u>(312,404)</u>	<u>(1,448,720)</u>	<u>(330,786)</u>
Nonoperating cash receipts (disbursements):				
Debt service:				
Principal retirement	(150,235)	(44,690)	(194,925)	-
Interest and fiscal charges	(124,735)	(10,845)	(135,580)	-
Sale of bonds.	596,137	-	596,137	-
OWDA loan	397,091	-	397,091	-
Intergovernmental revenue.	393,517	343,493	737,010	-
Interest income	37,723	-	37,723	-
Total nonoperating cash receipts (disbursements)	<u>1,149,498</u>	<u>287,958</u>	<u>1,437,456</u>	<u>-</u>
Net cash receipts over (under) cash disbursements before transfers	13,182	(24,446)	(11,264)	(330,786)
Transfers in.	-	8,000	8,000	-
Changes in net cash assets.	13,182	(16,446)	(3,264)	(330,786)
Net cash assets at beginning of year	<u>1,770,257</u>	<u>119,308</u>	<u>1,889,565</u>	<u>1,203,167</u>
Net cash assets at end of year.	<u>\$ 1,783,439</u>	<u>\$ 102,862</u>	<u>\$ 1,886,301</u>	<u>\$ 872,381</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO

**STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
FIDUCIARY FUND
DECEMBER 31, 2006**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 6,675,623</u>
Total assets	<u><u>\$ 6,675,623</u></u>
Net cash assets:	
Unrestricted.	<u>\$ 6,675,623</u>
Total net cash assets	<u><u>\$ 6,675,623</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

Reporting Entity

Reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Columbiana County, this includes the Columbiana County Mental Health and Recovery Board, Columbiana County Mental Health Center, Columbiana County Board of Mental Retardation and Developmental Disabilities (MRDD) (which includes the Robert Bycroft School for Retarded Children, the Columbiana County Adult Mentally Handicapped Workshop and all departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organizations governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization’s resources; or (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt or the levying of taxes. The County has no component units.

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissioners listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly the activity of the following entities are presented as agency funds within the financial statements.

Columbiana County Park District
Columbiana County General Health District
Columbiana County Soil and Water Conservation District

COLUMBIANA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY - (Continued)

The County is involved with one related organization which is presented in Note 11 to the basic financial statements. The County is also involved in the following jointly governed organizations:

Columbiana County Planning Commission
Carroll/Columbiana/Harrison Solid Waste Management District
Multi-County Juvenile Attention System
North East Ohio Network
Northeast Ohio Trade and Economic Consortium

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the financial statements for the enterprise fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities or enterprise funds. Following are the more significant of the County's accounting policies.

A. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the County chooses to prepare its financial statements using the cash basis of accounting. Under the cash basis of accounting, receipts are recorded in the County's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The County classifies each fund as either governmental, proprietary or fiduciary.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds

The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the County's major governmental funds:

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

Public Assistance - This fund accounts for various federal and state grants, as well as transfer from the general fund used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

Mental Health - This fund accounts for the operation of a center that provides services to mental patients and individuals considering taking their lives. Revenue sources include state and federal grants and two county-wide property tax levies.

Mental Retardation and Developmentally Disabled (MR/DD) - This fund accounts for the operation and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and state grants.

Motor Vehicle and Gas Tax - This fund accounts for monies received by the County for state gasoline tax and vehicle registration fees used for County road and bridge maintenance construction and improvements.

Other nonmajor governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs; and (c) for grants and other resources, the use of which is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net cash assets, financial position and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County has presented the following major enterprise fund:

Sewer - This fund accounts for sanitary sewer services provided to individual and commercial users in the majority of the unincorporated areas of the County. The costs of providing these services are financed primarily through user charges.

The other enterprise funds of the County are used to account for the water utility and sheriff communication activities. These funds are nonmajor funds whose activities have been aggregated and presented in a single column in the financial statements.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund reports on the operations of the self-insurance program for health insurance.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's only fiduciary funds are agency funds which account for monies held for other governments, organizations or individuals.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statement of Activities - This statement displays information about the County as a whole, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities. The activities of the internal service fund are eliminated to avoid "doubling up" receipts and disbursements.

The government-wide statement of activities compares disbursements with program receipts for each segment of the business-type activities of the County and for each function or program of the County's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the County. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the County.

Fund Financial Statements - Fund financial statements report detailed information about the County. The focus of governmental and proprietary fund financial statements is on major funds. 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.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the County's proprietary funds are charges for sales and services, and include personnel and other disbursements related to the operations of the proprietary fund activity. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. 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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

The legal level of budgetary control is at the department level within a fund. Although statutory law requires that all funds be budgeted, it is not necessary to do so if the County Commissioners do not anticipate expending the available funds. Budgetary modifications may only be made by resolution of the County Commissioners.

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected resources of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificates of estimated resources issued during 2006.

Appropriations

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

The allocation of appropriations among objects within a fund and department may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts, including all amendments and modifications.

Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

COLUMBIANA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Lapsing of Appropriations

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Interest earnings are allocated as authorized by State statute. Investments in federal agency securities are valued at cost. Investments in STAR Ohio and US government money market mutual funds are recorded at share values reported by the mutual fund.

F. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation has not been reported for any capital assets.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the County (See Note 2.A.).

H. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Fund Balance Reserves

The County reserves those portions of fund equity which are legally segregated for a specific future use or are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances and unclaimed monies.

J. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The County first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. 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 and interest by the United States;
2. 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;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. 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,

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds, deposited with the treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the County or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the County had \$80,930 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash with Fiscal Agent

At year-end, the County had \$2,864,167 in cash held by an outside party which is included on the financial statements of the County as "Cash with fiscal agent." This amount is not included in "deposits with financial institutions" below.

C. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all County deposits was \$2,129,897. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, \$5,291,598 of the County's bank balance of \$5,691,598 was exposed to custodial risk as discussed below, while \$400,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the County.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2006, the County had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Carrying Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 1,037,985	\$ 1,037,985	\$ -	\$ -	\$ -	\$ -
FHLMC	4,278,546	977,610	1,338,960	1,961,976	-	-
FHLB	7,831,585	2,392,908	1,991,480	1,972,387	1,474,810	-
FNMA	9,777,070	1,710,799	2,517,165	3,816,781	1,232,325	500,000
FFCB	1,087,054	-	-	1,087,054	-	-
Treasury Bonds	1,438,746	1,438,746	-	-	-	-
U.S. Government Money Market	7,212,676	7,212,676	-	-	-	-
	<u>\$ 32,663,662</u>	<u>\$ 14,770,724</u>	<u>\$ 5,847,605</u>	<u>\$ 8,838,198</u>	<u>\$ 2,707,135</u>	<u>\$ 500,000</u>

The weighted average maturity of investments is .75 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the County's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The County's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2006:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
U.S. Government Money Market	\$ 7,212,676	22.08
STAR Ohio	1,037,985	3.18
Treasury Bonds	1,438,746	4.40
FHLMC	4,278,546	13.10
FNMA	9,777,070	29.93
FHLB	7,831,585	23.98
FFCB	1,087,054	3.33
	<u>\$ 32,663,662</u>	<u>100.00</u>

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investment to the Statement of Net Assets – Cash Basis

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets – cash basis as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,129,897
Investments	32,663,662
Cash on hand	80,930
Cash with fiscal agent	2,864,167
Total	<u>\$ 37,738,656</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 29,176,732
Business type activities	1,886,301
Agency funds	6,675,623
Total	<u>\$ 37,738,656</u>

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on January 1, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out – the assessment percentage for property, including inventory is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Amounts paid by multi- county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - PROPERTY TAXES - (Continued)

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

The County Treasurer collected property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

The full tax rate for all County operations for the fiscal year ended December 31, 2006, was \$9.25 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$ 1,374,032,250
Public Utility	87,960,070
Tangible Personal Property	<u>128,732,440</u>
Total Assessed Value	<u>\$ 1,590,724,760</u>

NOTE 5 - PERMISSIVE SALES TAX

Beginning in 2001, the County levied a 1% permissive sales tax. The proceeds of the tax are credited to the County's General Fund. During September 2002, the County Commissioners approved an increase in the permissive sales tax from 1% to 1.5%. On May 3, 2005, the County renewed 1% of the 1.5% sales tax. In November 2005, the County's remaining 0.5% of the sales tax did not get renewed. The County received \$8,231,166 in sales tax receipts in 2006.

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The County is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, destruction of assets; errors and omissions; and injuries to employees. The County maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

Settled claims have not exceeded this commercial coverage in the past three years and there has been no significant reduction in coverage from the prior year.

B. State Workers' Compensation Program

For 2006, the County participated in the State Workers' Compensation Program for workers' compensation coverage and purchases insurance policies in varying amount for general liability, employee and public official's liability, including errors and omissions of the County's safety force.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - RISK MANAGEMENT – (Continued)

C. Self-Insurance

The County is also self-insured for employee health insurance. The General Fund pays covered claims to service providers and recovers these costs from charges to other funds based on an actuarially determined cost per employee. Under this program, the General Fund provides coverage for claims up to a maximum of \$75,000 for each individual, per year. The County purchased commercial insurance for claims in excess of coverage provided by the General Fund and all other risks of loss. Settled claims have not exceeded this commercial coverage in the past three years. Total claims disbursements in the internal service fund during 2006 were \$4,095,223.

NOTE 7 - PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed 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 member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member- directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The County's contribution rate for pension benefits for 2006 was 13.70%, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 16.93% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$2,829,376, \$1,937,360, and \$1,999,792, respectively. The County has paid all contributions required through December 31, 2006.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 7 - PENSION PLANS - (Continued)

B. State Teachers Retirement System in Ohio

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS Ohio funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the year ended December 31, 2006, plan members were required to contribute 10% of their annual covered salary and the County was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contribution for pension obligations for the DBP for the years ended December 31, 2006 was \$125,730. The County has paid all contributions required through December 31, 2006.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The County's actual employer contributions for 2006 which were used to fund postemployment benefits were \$1,011,437. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability 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, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

B. State Teachers Retirement System of Ohio

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the STRS Ohio based on authority granted by State statute. STRS Ohio is funded on a pay-as-you-go basis.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended December 31, 2006, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the County, this amount was \$8,995.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282.743 million, and STRS had 119,184 eligible benefit recipients.

NOTE 9 - DEBT OBLIGATIONS

	Balance <u>12/31/2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2006</u>
General obligation notes	\$ 2,355,189	\$ 121,488	\$ (627,678)	\$ 1,848,999
General obligation bonds	13,644,000	709,137	(389,109)	13,964,028
Mortgage revenue bonds	2,331,815	679,637	(210,760)	2,800,692
OWDA loans	1,482,919	397,091	(164,487)	1,715,523
OPWC loans	<u>202,467</u>	<u>-</u>	<u>(27,820)</u>	<u>174,647</u>
Total long-term obligations	<u>\$ 20,016,390</u>	<u>\$ 1,907,353</u>	<u>\$ (1,419,854)</u>	<u>\$ 20,503,889</u>

The County's debt obligations at year end consist of the following:

	<u>Interest Rate %</u>	<u>Outstanding at 12/31/2006</u>
General Obligation Notes:		
State Loan for Investment Losses	3.00	\$ 691,433
Engineer Building	6.64	48,306
County EMA	4.73	112,000
Law Library Note	3.90	113,580
Engineer Road Note	2.80	74,192
Board of Elections Loan	5.25	9,488
Data Processing Loan	4.10	<u>800,000</u>
Total General Obligation Notes		<u>1,848,999</u>
General Obligation Bonds:		
Guilford Sanitary Sewer Improvement	5.00	94,000
Jail Facilities Refunding	5.15	8,440,000
Ohio Wellsville Water System	3.25	1,204,000
Murray Trucking Old Farm Village	4.50	476,000
Municipal Court Bond 97-11	4.38	2,767,000
Municipal Court Bond 97-13	4.38	273,891
Courthouse Renovations	4.25	<u>709,137</u>
Total General Obligation Bonds		<u>13,964,028</u>

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - DEBT OBLIGATIONS - (Continued)

	<u>Interest Rate %</u>	<u>Outstanding at 12/31/2006</u>
Mortgage Revenue Bonds:		
Guliford Lake Sewer	5.00	194,000
Ohio Elkrun Sewer	4.50	1,897,000
County Recorders Equipment Note	3.45	36,055
Vodrey S.R. 170 Duke Rd Sewer	4.97	83,500
Winona Area Waste System	4.25	589,000
Winona Area Waste System	4.25	<u>1,137</u>
Total Mortgage Revenue Bonds		<u>2,800,692</u>
Ohio Water Development Authority Loans:		
Project No. 8024 - Hanoverton	6.04	\$ 857,723
Project No. 6007 - Stagecoach	6.02	163,287
Project No. 4184 - Glenmoor Sewer	1.00	<u>694,513</u>
Total Ohio Water Development Authority Loans		<u>1,715,523</u>
Ohio Public Works Commission Loans		
Project No. CN627 - Engineering Services	0.00	16,000
Project No. CN720 - Stagecoach	0.00	44,347
Project No. CN24D - Route 7 Waterline	0.00	37,500
Project No. CN33F - Waterline	0.00	<u>76,800</u>
Total Ohio Public Works Commission		<u>174,647</u>
Total Debt Obligations		<u>\$ 20,503,889</u>

General obligation bonds and notes, the Hanoverton Ohio Water Development Authority loan and the Ohio Public Works Commission engineering services loan are being paid from the General Fund and Special Revenue Funds, respectively. Although the debt is in the name of the County, the debt service under the Stagecoach Ohio Water Development Authority, and remaining Ohio Public Works Commission Loans is paid by the Buckeye Water District, which is not part of the County's reporting entity. The remaining Ohio Water Development Authority loans, as well as the mortgage revenue bonds, are being paid from the related enterprise fund user charges. The Glenmoor/LaCroft Sewer Design project financed through an OWDA loan is not closed out at December 31, 2006. Future annual debt service principal and interest requirements for this loan, which has a balance at December 31, 2006 of \$694,513, are not available. All general obligation debt is backed by the full faith and credit of the County.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - DEBT OBLIGATIONS - (Continued)

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

During 1997, the County defeased a general obligation bond by placing investments in U.S. government direct obligations in an irrevocable escrow account. Such account will be used, together with interest earned thereon, to provide for the payment of all principal and interest on the defeased debt on its schedule due dates. Accordingly, the escrow account and the defeased bond summarized below are not included in the accompanying combined statement of cash receipts and disbursements at December 31, 2006.

	<u>Defeasance Date</u>	<u>Original Amount Defeased</u>	<u>Original Amount Escrowed</u>	<u>Debt Balance at 12/31/06</u>
County Jail Facilities Construction Bond Series 1994	1997	\$ 7,225,000	\$ 7,995,595	\$ 5,880,000

The following is a summary of the County's total future annual principal and interest requirements for debt obligations:

	<u>General Obligation Notes</u>	<u>General Obligation Bonds</u>	<u>Mortgage Revenue Bonds</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Total</u>
2007	\$ 656,661	\$ 1,182,011	\$ 217,193	\$ 200,884	\$ 21,213	\$ 2,277,962
2008	523,850	1,183,395	215,650	200,884	21,213	2,144,992
2009	162,547	1,187,504	194,119	200,884	13,213	1,758,267
2010	157,689	1,182,118	195,015	200,884	13,213	1,748,919
2011	150,587	1,184,609	192,395	200,884	13,213	1,741,688
2012-2016	417,040	5,117,635	951,331	720,858	51,282	7,258,146
2017-2021	-	5,081,756	867,705	370,024	36,500	6,355,985
2022-2026	-	3,600,035	804,465	-	4,800	4,409,300
2027-2031	-	1,394,654	803,693	-	-	2,198,347
2032-2036	-	1,011,273	797,473	-	-	1,808,746
2037-2041	-	315,700	582,710	-	-	898,410
2042-2046	-	-	224,295	-	-	224,295
Total Principal and Interest	2,068,374	22,440,690	6,046,044	2,095,302	174,647	32,825,057
Less: Interest	(219,375)	(8,476,662)	(3,245,352)	(379,779)	-	(12,321,168)
Total Principal	<u>\$ 1,848,999</u>	<u>\$ 13,964,028</u>	<u>\$ 2,800,692</u>	<u>\$ 1,715,523</u>	<u>\$ 174,647</u>	<u>\$ 20,503,889</u>

Under the basis of accounting utilized by the County (See Note 2.A.), debt obligations are not reported on the financial statements. Debt obligations are presented above for informational purposes only.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

A. The Columbiana County Planning Commission

The County participates in the Columbiana County Planning Commission (the "Commission") which is a statutorily created, political subdivision of the State of Ohio. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. The Commission is jointly governed by Columbiana County and local municipalities and townships. In 2006, the County contributed no funds to the Commission.

B. Carroll/Columbiana/Harrison Solid Waste Management District

The County participates in the Carroll/Columbiana/Harrison Solid Waste Management District (the "District"), which is a statutorily created, political subdivision of the State of Ohio. The district is a jointly governed organization including Columbiana, Carroll, and Harrison counties and local municipalities and townships. Of the nine members of the District's governing board, the County Commissioners represent three. Each member's control over the operation of the District is limited to its representation on the board. In 2006, the County contributed no funds to the District.

C. Multi-County Juvenile Attention System

The County also participates in the Multi-County Juvenile Attention System (the "System"), a jointly governed organization between the following counties: Stark, Holmes, Carroll, Columbiana, Tuscarawas, and Wayne. The operation of the System is controlled by a nineteen-member Board of Trustees, three members from each county with the exception of Stark which has four members. The degree of control exercised by any of the participating Counties is limited to its representation on the Board. The County paid \$897,154 to the System during 2006.

D. North East Ohio Network (N.E.O.N.)

N.E.O.N. is a council of governments formed to provide a regional effort in administering, managing and operating programs for certain individuals with development disabilities. Participating counties include Columbiana, Portage, Trumbull, Geauga, Lake, Mahoning, Medina and Stark Counties. N.E.O.N. operation is controlled by their board which is comprised of the superintendent's of Mental Retardation and Developmental Disabilities of each participating county. N.E.O.N. adopts its own budget, authorized expenditures and hire and fire its own staff. During 2006, N.E.O.N., received sufficient revenues from State grant monies and no additional funds were needed from the participants.

E. Northeast Ohio Trade and Economic Consortium (Consortium)

The Consortium is a jointly governed organization by the Counties of Columbiana, Portage, Stark, Mahoning, Trumbull and Summit. A six member regional council oversees the operations of the Consortium. Each county appoints one council member. The Council exercises total authority for the day-to-day operations of the Consortium. These include budgeting, appropriating, contracting, and designating management. The County has no financial responsibility for any of the Consortium's liabilities. Complete financial statements may be obtained from the Northeast Ohio Trade and Economic Consortium, Akron, Ohio.

COLUMBIANA COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 11 - RELATED ORGANIZATION

Columbiana County Airport Authority

The Columbiana County Airport Authority (the "Airport Authority"), was created by resolution of the County Commissioners under the authority of Section 308 of the Ohio Revised Code. The Airport Authority is governed by a seven-member Board of Trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rentals and other charges; the authority to acquire, construct, operate, manage and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing a facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of Columbiana County. The County contributed \$2,692 to the Airport Authority in 2006.

NOTE 12 - CONTINGENCIES

A. Litigation

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

The County Commissioners and Columbiana County Sheriff are currently involved in an administrative proceeding before the Ohio Public Employees Retirement System (OPERS). OPERS' general counsel has made a finding that the County owes continuing OPERS contributions for former employees of the County who were hired by CiviGenics into the same or similar positions as they had performed for the County. The County currently estimates that the liability for past contributions will be approximately \$600,000 plus interest and penalties. The value of future contributions has not been estimated.

B. Grant Programs

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

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 13 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported in the fund financial statements:

<u>Transfer to</u>	<u>Transfers from</u>			<u>Total</u>
	<u>General</u>	<u>Motor Vehicle and Gas Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	
General	\$ -	\$ -	\$ 20,000	\$ 20,000
Public Assistance	375,898	-	-	375,898
Nonmajor enterprise funds	-	8,000	-	8,000
Nonmajor Governmental Fund	<u>1,176,621</u>	<u>85,000</u>	<u>346,106</u>	<u>1,607,727</u>
Total	<u>\$ 1,552,519</u>	<u>\$ 93,000</u>	<u>\$ 366,106</u>	<u>\$ 2,011,625</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, only transfers between governmental activities and business-type activities are reported on the statement of activities.

- B. Advances at December 31, 2006, consisted of the following, as reported in the fund financial statements:

Due to General Fund from:

Nonmajor Governmental Fund	<u>\$ 63,451</u>
Total	<u>\$ 63,451</u>

The balance due to the General Fund includes loans made to provide working capital for operations or projects. All of these amounts are expected to be repaid within one year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) presented for the general fund, Public Assistance, MRDD, Mental Health and Motor Vehicle and Gas Tax funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). At December 31, 2006, the encumbrances outstanding at year end (budgetary basis) amounted to \$838,892 for the general fund, \$468,874 for the Public Assistance fund, \$110,585 for the MRDD fund and \$102,690 for the Motor Vehicle and Gas Tax fund. The Mental Health fund was also a major fund but did not have any encumbrances outstanding at December 31, 2006.

COLUMBIANA COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 15 – RESTATEMENT OF PRIOR YEAR CASH BALANCE/NET ASSETS

On June 27, 2007 the Auditor of State formally issued a directive requiring counties to report the cash on hand with Northeast Ohio Network (NEON) on the financial statements. The County did not have this money reported in their 2005 financial statements. The restatement had the following effect on net assets at January 1, 2006:

	<u>Governmental Activities</u>		
Net Assets December 31, 2005	\$29,190,100		
Cash with Fiscal Agent	<u>2,835,825</u>		
Restated Net Assets, January 1, 2006	<u>\$32,025,925</u>		
		<u>MRDD Fund</u>	
	<u>MRDD Fund</u>	<u>Budgetary Basis</u>	
Fund Balance December 31, 2005	\$ 8,374,415	\$ 8,370,607	
Cash with Fiscal Agent	<u>2,835,825</u>	<u>2,835,825</u>	
Restated Fund Balance, January 1, 2006	<u>\$11,210,240</u>	<u>\$11,206,432</u>	

NOTE 16 – LEGAL COMPLIANCE

Ohio Admin. Code Section 117-2-03(B) requires the County to prepare its annual financial statements in accordance with generally accepted accounting principles (GAAP). The County chose to prepare its 2006 financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP. The financial statements and notes omit assets, liabilities, fund equities, and disclosures that are material, however cannot be determined at this time.

Ohio Rev. Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The County did not properly encumber \$614,349 in the General fund at year end.

NOTE 17 – SIGNIFICANT SUBSEQUENT EVENTS

A. The County Commissioners issued the following debt subsequent to year end:

General Obligation Bonds - On August 1, 2007 the Commissioners authorized the issuance of \$844,000 of bonds for renovating and improving the county court facility. The bonds have a maturity date of August 1, 2037 and an interest rate of 4.125%. This debt was issued through the United States Department of Agriculture (USDA).

Refunding Bonds - On November 16, 2007 the County Commissioners authorized the refunding of the Jail Facilities Bonds in the amount of \$8,490,000. The bonds have a maturity date of December 1, 2024 and an interest rate of 4.8%.

B. The County awarded the following contracts subsequent to year end:

Water and Sewer Projects - On February 7, 2007, the County Commissioners awarded a contract to Dave Sugar Excavating in the amount of \$1,181,701.25 for the SR 170 water and sewer relocations.

Multi-Highway Paving Program - On June 20, 2007 the County Commissioners awarded a contract to The Shelly Company in the amount of \$1,553,237.20 for the Multi-Highway Paving Program.



January 10, 2008

Board of County Commissioners
Columbiana County
Lisbon, OH 44432

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbiana County (the "County") as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 10, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant* deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted one matter involving the internal control over financial reporting and its operations that we consider to be a material weakness, which is disclosed in the accompanying schedule of findings and responses as item 2006-001. We also noted certain matters that we have reported to management of the County in a separate letter dated January 10, 2008.

Columbiana County, Ohio
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs and responses as items 2006-002 through 2006-003.

We also noted certain matters that we reported to management of the County in a separate letter dated January 10, 2008.

This report is intended solely for the information and use of the audit committee, management, County Commissioners, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

New Philadelphia, OH 44663



January 10, 2008

Board of County Commissioners
Columbiana County
Lisbon, OH 44432

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Columbiana County (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, County Commissioners, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

New Philadelphia, OH 44663

COLUMBIANA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant/ Pass-Through Entity Number	Disbursements
U.S. Department of Agriculture			
<i>Passed through Ohio Department of Education</i>			
National School Lunch Program	10.555	03-PU-05-06 03-PU-06-07	\$ 10,210 6,511 <u>16,721</u>
Total National School Lunch Program			<u>16,721</u>
<i>Direct Award</i>			
Community Facilities and Loans (Municipal Court)	10.766	FY05	4,061
Community Facilities and Loans (Municipal Court)		FY06	217,975
Community Facilities Program (Courtroom Renovation)		FY05/06	709,137
Total Community Facilities			<u>931,173</u>
<i>Direct Award</i>			
Water and Waste Disposals Systems for Rural Communities	10.760	FY2006	<u>808,804</u>
Total U.S. Department of Agriculture			<u>1,756,698</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grant	14.228	B-F-04-015-1 B-F-02-015-1 B-M-04-015-1 B-F-05-015-1 B-W-05-015-1 B-C-05-015-1 B-E-05-015-1 B-W-03-015-1 B-M-06-015-1	300,978 221,014 25,667 252,547 290,827 84,092 225,700 349,417 22,938 <u>1,773,180</u>
Total CDBG			<u>1,773,180</u>
Appalachian Local Development District Assistance	23.009	OH-15012-05	<u>136,904</u>
<i>(Passed through State Department of Development)</i>			
HOME Investment Partnerships Program	14.239	B-C-05-015-2	<u>185,056</u>
Total U.S. Department of Housing and Urban Development			<u>2,095,140</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
<i>(Passed through Ohio Department of Public Safety)</i>			
State and Community Highway Safety	20.600	FY06	<u>11,274</u>
<i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction	20.205	06N035 24449 24449 24449 24449 05N023	1,086,458 2,356 281,629 110,147 30,586 263,947 <u>1,775,123</u>
Total Highway Planning and Construction			<u>1,775,123</u>
Total U.S. Department of Transportation			<u>1,786,397</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed through Ohio Department of Youth Services)</i>			
Juvenile Accountability Incentive Block Grant	16.523	05-JB-015-B045	<u>20,247</u>
<i>(Passed through Governor's Office of Criminal Justice)</i>			
Crime Victim's Assistance-VOCA	16.575	2007VAGENE174	58,268
Crime Victim's Assistance-SVAA		2007SAGENE174	21,386
Crime Victim's Assistance-VOCA Court Advocate		2007VACHAE553	7,933
Total VOCA			<u>87,587</u>

COLUMBIANA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant/ Pass-Through Entity Number	Disbursements
Edward Byrne Memorial Justice Assistance Grant	16.738	FY2006	\$ 11,806
Total U.S. Department of Justice			<u>119,640</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>(Passed through State Department of Mental Retardation and Development Disabilities)</i>			
Title XIX Medical Assistance Program - CAFS	93.778	FY2005	336,693
Targeted Case Management		FY2005/06	74,610
I/O Match		FY2005	613
Habilitation Center		FY2006	139,245
Total Medicaid			<u>551,161</u>
Title XX - Social Services Block Grant	93.667	FY04	58,237
		FY05	36,204
Total Title XX - Social Services Block Grant			<u>94,441</u>
<i>(Passed through Ohio Department of Alcohol and Drug Addiction Services)</i>			
Substance Abuse Prevention & Treatment Block Grant			
Women's Focus Project	93.959	FY05/06	174,559
Federal Per Capita		FY05/06	361,621
Youth Mentoring Grant		FY05/06	24,969
Prevention at Work		FY05/06	22,574
Total Substance Abuse Prevention & Treatment Block Grant			<u>583,723</u>
Safe and Drug Free Schools	84.186B	FY06	<u>82,276</u>
Title XIX Medical Assistance Program	93.778	FY05/06	<u>412,691</u>
Alcohol and Drug Free State Incentive Grant	93.243	FY05/06	<u>64,919</u>
<i>(Passed through Ohio Department of Mental Health)</i>			
Block Grants for Community Mental Health Services	93.958		
Community Plan		FY05/06	25,626
Child/Adolensent		FY05/06	6,890
Discretionary		FY05/06	7,335
Total Block Grants for Community Mental Health Services			<u>39,851</u>
Title XIX Medical Assistance Program	93.778	FY05/06	<u>2,857,184</u>
Title XX Social Services Block Grant	93.667	FY05/06	<u>94,822</u>
PATH Homeless	93.150	FY05/06	28,709
PATH Employment		FY05/06	27,808
Total PATH			<u>56,517</u>
Public Health and Social Services Emergency Fund	93.003	FY05/06	<u>2,216</u>
Promoting Safe and Stable Families	93.556	FY05/06	<u>53,798</u>
Projects of Regional and National Significance	93.243	FY05/06	<u>7,943</u>
<i>(Passed through Ohio Department of Aging)</i>			
Special Program for the Aging, Title IIIB	93.044	FY06	63,211
Special Program for the Aging, Title IIID	93.043	FY06	6,900
National Family Caregiver Support	93.052	FY06	2,920
Total Aging			<u>73,031</u>
Total U.S. Department of Health and Human Services			<u>4,974,573</u>

COLUMBIANA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant/ Pass-Through Entity Number	Disbursements
U.S. DEPARTMENT OF EDUCATION: <i>(Passed through Ohio Department of Education)</i>			
Special Education Cluster:			
Title VI-B	84.027	065920-PG6B-2006	\$ 38,769
		065920-PG6B-2007	<u>32,540</u>
Total VI-B			<u>71,309</u>
Early Childhood Special Education	84.173	065920-PGS1-2006	12,414
		065920-PGS1-2007	<u>4,170</u>
Total Early Childhood Special Education			<u>16,584</u>
Total Special Education Cluster			<u>87,893</u>
Title V	84.298	065920-C2S1-2005	311
		065920-C2S1-2006	<u>197</u>
Total Title V			<u>508</u>
Total U.S. Department of Education			<u>88,401</u>
U.S. DEPARTMENT OF HOMELAND SECURITY: <i>(Passed through Ohio Emergency Management Agency)</i>			
Emergency Management Performance Grant	97.042	2006-EME60042	52,992
Emergency Management Performance Grant	97.042	EMC2004GR7007	<u>96,549</u>
Total Emergency Management Performance Grant			<u>149,541</u>
State Domestic Preparedness Equipment Grant	97.004	FY2004	<u>47,558</u>
State Homeland Security Program	97.073	2006-TE-CX-0106	232,711
Citizen Corp Program Grant	97.053	FY2006	<u>4,627</u>
Total Homeland Security Cluster			<u>237,338</u>
Public Assistance Grants	97.036	Flooding 1580	18,872
		Flooding 1556	<u>634,230</u>
Total Public Assistance			<u>653,102</u>
<i>(Passed through Ohio Environmental Protection Agency)</i>			
State Emergency Response Commission	20.703	HME01016090	<u>25,504</u>
<i>(Passed through Emergency Food and Shelter Board)</i>			
Emergency Food and Shelter Program	97.024	671000-099	<u>9,300</u>
Total US Department of Homeland Security			<u>1,122,343</u>
ELECTION ASSISTANCE COMMISSION : <i>(Passed through Ohio Secretary of State)</i>			
Election Reform Payments - Voter Education and Pollworker Training Grant	39.011	04-SOS-HAVA-15	25,336
Help America Vote Act Requirements Payments	90.401	E06-01/3-15	<u>1,084,257</u>
Total Election Assistance Commission			<u>1,109,593</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 13,052,785</u></u>

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

COUNTY OF COLUMBIANA, OHIO

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2006**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Columbiana County and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: LOANS OUTSTANDING

The County established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

The total loans outstanding as of December 31, 2006 from the County's CDBG Revolving Loan fund (CFDA #14.228) were \$341,082.

COLUMBIANA COUNTY, OHIO

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS
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A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Medical Assistance Program (Medicaid, Title XIX) Help America Vote Act Water and Waste Disposal for Rural Communities	CFDA # 93.778 90.401 10.760
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$391,584 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

MATERIAL WEAKNESS

FINDING NUMBER	2006-001
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Auditor of State Technical Bulletin 2002-004 requires that when payments are made directly to a contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the appropriate fund equal to the amount disbursed by the State.

COLUMBIANA COUNTY, OHIO

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 2006**

During 2006, the State of Ohio Department of Transportation (ODOT) paid \$1,744,925 (Highway Planning and Construction monies) directly to contractors on the County's behalf. The Ohio Public Works Commission (OPWC) paid \$1,691,444 directly to contractors for various projects in highway planning and construction, water and sewer on the County's behalf. Finally, the State purchased voting equipment on behalf of the County during 2006 (Help America Vote Act). The state paid vendors \$1,141,883 for the voting equipment provided to the County. These transactions were not recorded in the County's accounting records. This condition resulted in a loss of accountability over the revenue and expenditures of the grants listed above.

When the County participates in grant projects, it must for each project awarded, establish a capital project fund to account for the grant monies and local matching funds. It is the responsibility of the department heads to inform the County Auditor of all grant activity during the year. The financial statements for 2006 were adjusted to properly present the grant monies received and expended.

MATERIAL NON-COMPLIANCE

FINDING NUMBER	2006-002
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Ohio Admin. Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The County chose to prepare its financial statements and notes on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP. The financial statements and notes omit assets, liabilities, fund equities, and disclosures that are material, however cannot be determined at this time.

It is recommended that the County prepare its annual financial report in accordance with GAAP.

FINDING NUMBER	2006-003
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Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance.

During our search for unrecorded encumbrance testing, we noted the County did not properly encumber \$614,349 in the general fund at year end.

We recommended the County monitor their budget on a continual basis throughout the year, only expending moneys if they have been appropriated.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315(b)
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03, the County failed to prepare its financial statements in accordance with generally accepted accounting principles	No	Re-issued as Finding 2006-002

COLUMBIANA COUNTY

**COUNTY'S RESPONSE TO FINDINGS
DECEMBER 31, 2006**

Response to Finding 2006-001:

The Auditor's office received the documentation too late from the highway department to be able to certify and appropriate these monies. The HAVA Grant, the Board of Elections did not notify the Auditor's office that these monies were paid directly to the vendor from the state. The County is now (starting in 2008) setting up capital projects funds and notifying the departments that we need the totals before the last week of December.

Response to Finding 2006-002:

Columbiana County has tried to abide by the State's requirements, but the County has had considerable financial problems over the past few years. The requirement for ORC 117.38 is almost an impossible task for the County. The Commissioners do not have the available appropriations to afford to prepare this report. The County feels the GAAP look alike report would at least provide a suitable substitution.

Response to Finding 2006-003:

This finding was related to invoices for the housing of inmates. In 2007, all of the invoices relating the housing of inmates had been paid in full. For the 2008 year, the full amount of the contract has been appropriated. The County Auditor has stressed to the County Commissioners to appropriate the full amount of all contracts.



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2008**