



Dave Yost • Auditor of State



**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, Ohio (the "City"), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Income Tax funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

**Dave Yost**  
Auditor of State

August 10, 2011

## **CITY OF COLUMBIANA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2010***

***Unaudited***

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The discussion and analysis of the City of Columbiana's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2010 are as follows:

- ❑ In total, net assets increased \$1,671,423. Net assets of governmental activities increased \$200,752, which represents a 2% increase from 2009. Net assets of business-type activities increased \$1,470,671, or 7% from 2009.
- ❑ General revenues accounted for \$3,433,563 in revenue or 22% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,347,687, or 78% of total revenues of \$15,781,250.
- ❑ The City had \$3,230,659 in expenses related to governmental activities; only \$701,860 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,125,867 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$1,305,888 in revenues and \$1,569,923 in expenditures. The general fund's fund balance increased from a balance of \$169,989 to \$197,554.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

# CITY OF COLUMBIANA, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2010*

*Unaudited*

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## **Government-wide Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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



## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

**Unaudited**

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

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

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2010 compared to 2009.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$3,244,230	\$3,010,201	\$12,460,964	\$12,611,672	\$15,705,194	\$15,621,873
Capital assets, Net	6,036,113	5,875,160	24,092,191	23,418,172	30,128,304	29,293,332
Total assets	9,280,343	8,885,361	36,553,155	36,029,844	45,833,498	44,915,205
Long-term debt outstanding	135,670	130,982	11,945,628	12,269,433	12,081,298	12,400,415
Other liabilities	762,870	573,328	2,946,671	3,570,226	3,709,541	4,143,554
Total liabilities	898,540	704,310	14,892,299	15,839,659	15,790,839	16,543,969
Net assets						
Invested in capital assets, net of related debt	6,036,113	5,875,160	10,438,826	9,015,962	16,474,939	14,891,122
Restricted	1,900,914	1,834,909	0	0	1,900,914	1,834,909
Unrestricted	444,776	470,982	11,222,030	11,174,223	11,666,806	11,645,205
Total net assets	<u>\$8,381,803</u>	<u>\$8,181,051</u>	<u>\$21,660,856</u>	<u>\$20,190,185</u>	<u>\$30,042,659</u>	<u>\$28,371,236</u>

## CITY OF COLUMBIANA, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2010*

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for 2010 compared to 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for Services and Sales	\$421,728	\$357,427	\$10,517,484	\$10,148,727	\$10,939,212	\$10,506,154
Operating Grants and Contributions	280,132	359,432	0	0	280,132	359,432
Capital Grants and Contributions	0	255,753	1,128,343	142,696	1,128,343	398,449
Total Program revenues	701,860	972,612	11,645,827	10,291,423	12,347,687	11,264,035
General revenues:						
Property Taxes	419,322	352,879	262,366	250,564	681,688	603,443
Income Taxes	1,758,406	1,730,282	0	0	1,758,406	1,730,282
Other Local Taxes	41,530	34,924	0	0	41,530	34,924
Intergovernmental, Unrestricted	572,833	508,330	40,961	47,651	613,794	555,981
Investment Earnings	75,256	169,355	4,369	(20,074)	79,625	149,281
Miscellaneous	258,520	224,121	0	0	258,520	224,121
Total General revenues	3,125,867	3,019,891	307,696	278,141	3,433,563	3,298,032
Total revenues	3,827,727	3,992,503	11,953,523	10,569,564	15,781,250	14,562,067
Program Expenses						
Security of Persons and Property	1,517,409	1,660,362	0	0	1,517,409	1,660,362
Public Health and Welfare	159,633	174,526	0	0	159,633	174,526
Leisure Time Activities	362,208	385,718	0	0	362,208	385,718
Transportation	486,549	569,629	0	0	486,549	569,629
General Government	703,485	818,801	0	0	703,485	818,801
Interest and Fiscal Charges	1,375	5,447	0	0	1,375	5,447
Water	0	0	1,008,389	968,591	1,008,389	968,591
Wastewater	0	0	1,682,358	1,694,848	1,682,358	1,694,848
Electric	0	0	7,740,939	7,194,941	7,740,939	7,194,941
Public Safety Vehicle Service	0	0	447,482	446,962	447,482	446,962
Total expenses	3,230,659	3,614,483	10,879,168	10,305,342	14,109,827	13,919,825
Change in Net Assets before transfers	597,068	378,020	1,074,355	264,222	1,671,423	642,242
Transfers	(396,316)	(34,990)	396,316	34,990	0	0
Total Change in Net Assets	200,752	343,030	1,470,671	299,212	1,671,423	642,242
Beginning Net Assets	8,181,051	7,838,021	20,190,185	19,890,973	28,371,236	27,728,994
Ending Net Assets	\$8,381,803	\$8,181,051	\$21,660,856	\$20,190,185	\$30,042,659	\$28,371,236

### *Governmental Activities*

Net assets of the City's governmental activities increased \$200,752. Ohio Department of Transportation capital grants received in 2009 resulted in the subsequent decrease in capital grants and contributions in 2010. The decrease in security of persons can be attributed to a decrease in salaries and related expenses in the police department as well as a decrease in costs in the fire department for supplies. A decrease in workers compensation expense contributed to the decrease in general government.

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

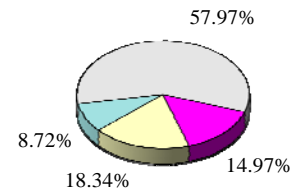
## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

**Unaudited**

Income taxes and property taxes made up 46% and 11% respectively of revenues for governmental activities for the City in fiscal year 2010. The City's reliance upon tax revenues is demonstrated by the following graph indicating 58% of total revenues from general tax revenues:

Revenue Sources	2010	Percent of Total
General Tax Revenues	\$2,219,258	57.97%
Intergovernmental, Unrestricted	572,833	14.97%
Program Revenues	701,860	18.34%
General Other	333,776	8.72%
Total Revenue	\$3,827,727	100.00%



### **Business-Type Activities**

Net assets of the business-type activities increased \$1,470,671. Ohio Public Works Commission and United States Department of Agriculture monies received for the Arrowhead Lift Station resulted in the increase in capital grants and contributions. The increase in expenses in the electric department can be attributed to an increase in the cost of electric current.

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

The City's governmental funds reported a combined fund balance of \$2,085,341, which is an increase from last year's balance of \$1,945,644. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2010 and 2009:

	Fund Balance December 31, 2010	Fund Balance December 31, 2009	Increase (Decrease)
General	\$197,554	\$169,989	\$27,565
Income Tax	690,639	431,810	258,829
Capital Improvement	374,146	631,210	(257,064)
Other Governmental	823,002	712,635	110,367
Total	\$2,085,341	\$1,945,644	\$139,697

## *CITY OF COLUMBIANA, OHIO*

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2010*

*Unaudited*

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

	2010	2009	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$341,131	\$297,535	\$43,596
Intergovernmental Revenues	583,931	575,737	8,194
Charges for Services	57,733	57,961	(228)
Licenses and Permits	113,562	92,500	21,062
Investment Earnings	118,382	131,574	(13,192)
Fines and Forfeitures	31,831	17,145	14,686
All Other Revenue	59,318	201,460	(142,142)
Total	<u>\$1,305,888</u>	<u>\$1,373,912</u>	<u>(\$68,024)</u>

General Fund revenues in 2010 decreased 5% compared to revenues in 2009. Decreases in reimbursements for workers compensation resulted in the decrease in all other revenue.

	2010	2009	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$1,295,777	\$1,463,730	(\$167,953)
Public Health and Welfare	0	6,953	(6,953)
General Government	274,146	412,153	(138,007)
Total	<u>\$1,569,923</u>	<u>\$1,882,836</u>	<u>(\$312,913)</u>

General Fund expenditures decreased \$312,913 or 17% from the prior year. The decrease in security of persons can be attributed to a decrease in salaries and related expenditures in the police department as well as a decrease in costs in the fire department for supplies. General Government decreased mostly due to a decrease in workers compensation expenditures.

## **CITY OF COLUMBIANA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2010***

***Unaudited***

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*Income Tax Fund* – The City's Income Tax Fund balance increased nearly 60% due to an increase in income tax receipts coupled with a decrease in transfers out to other funds.

*Capital Improvement Fund* – The City's Capital Improvement Fund balance decreased approximately 40%. Revenues received in 2009 from an Ohio Department of Transportation grant designated for street improvements resulted in a subsequent decrease in revenues in 2010.

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

During the course of fiscal year 2010 the City amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue of \$1.3 million was not significantly different from original or final budget estimates. Budget basis expenditures of \$1.6 million were not significantly different from original or final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

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

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

At the end of fiscal 2010 the City had \$30,128,304 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, \$6,036,113 was related to governmental activities and \$24,092,191 to the business-type activities. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$935,782	\$935,782	\$0
Buildings and Improvements	1,833,237	1,829,508	3,729
Improvements Other than Buildings	588,852	588,852	0
Infrastructure	3,921,480	3,647,157	274,323
Machinery and Equipment	2,544,084	2,315,858	228,226
Less: Accumulated Depreciation	(3,787,322)	(3,441,997)	(345,325)
Totals	<u>\$6,036,113</u>	<u>\$5,875,160</u>	<u>\$160,953</u>

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

**CITY OF COLUMBIANA, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2010	2009	
Land	\$919,144	\$533,980	\$385,164
Construction in Progress	0	157,667	(157,667)
Buildings	10,359,612	10,322,822	36,790
Improvements other than Buildings	476,964	461,721	15,243
Machinery and Equipment	8,259,099	8,072,832	186,267
Infrastructure	11,840,270	10,545,686	1,294,584
Less: Accumulated Depreciation	(7,762,898)	(6,676,536)	(1,086,362)
Totals	\$24,092,191	\$23,418,172	\$674,019

The increase in infrastructure can be attributed to the Arrowhead lift station project. Land that was previously being leased by the City was purchased for use by the water department. Additional information on the City's capital assets can be found in Note 6.

**Debt**

The following table summarizes the City's debt outstanding as of December 31, 2010 and 2009:

	2010	2009
Governmental Activities:		
Compensated Absences	\$135,670	\$130,982
Total Governmental Activities	135,670	130,982
Business-Type Activities:		
Special Assessment Bonds	4,635,000	4,855,000
General Obligation Bonds	55,300	60,000
Mortgage Revenue Bond	6,831,600	6,918,600
Ohio Public Works Commission Loans	291,465	308,610
Compensated Absences	132,263	127,223
Total Business-Type Activities	11,945,628	12,269,433
Totals	\$12,081,298	\$12,400,415

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2010, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2010***

***Unaudited***

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### **ECONOMIC FACTORS**

In 2010 the City issued nine zoning permits for commercial renovation/expansion as well as industrial renovation/expansion. These permits represent \$4,426,870 of investment in the community. This represents a 29% increase in permits issued from the previous year. In addition, the City issued nine building permits totaling \$1,674,000. This represents a 77% dollar increase from the previous year. These increases can be attributed to the slowly improving economic climate.

The City's 2011 budget is reflective of the tenuous state of the economy. Income tax receipts are projected to be 1% greater than 2010 figures.

### **REQUESTS FOR INFORMATION**

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

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**CITY OF COLUMBIANA, OHIO**

**Statement of Net Assets**  
**December 31, 2010**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,442,475	\$ 5,552,466	\$ 6,994,941
Investments	205,438	210,000	415,438
Receivables:			
Taxes	1,099,291	276,693	1,375,984
Accounts	24,992	1,296,725	1,321,717
Intergovernmental	212,717	11,802	224,519
Interest	2,139	10	2,149
Special Assessments	0	5,076,605	5,076,605
Internal Balance	195,134	(195,134)	0
Inventory of Supplies at Cost	19,872	3,168	23,040
Prepaid Items	42,172	34,954	77,126
Investment in Joint Venture	0	193,675	193,675
Capital Assets, Net	6,036,113	24,092,191	30,128,304
<b>Total Assets</b>	<b>9,280,343</b>	<b>36,553,155</b>	<b>45,833,498</b>
<b>Liabilities:</b>			
Accounts Payable	3,293	490,156	493,449
Accrued Wages and Benefits	153,839	136,519	290,358
Intergovernmental Payable	2,683	44,639	47,322
Claims Payable	0	58,737	58,737
Unearned Revenue	603,055	246,797	849,852
Accrued Interest Payable	0	129,823	129,823
General Obligation Notes Payable	0	1,840,000	1,840,000
Noncurrent liabilities:			
Due within one year	52,229	404,727	456,956
Due in more than one year	83,441	11,540,901	11,624,342
<b>Total Liabilities</b>	<b>898,540</b>	<b>14,892,299</b>	<b>15,790,839</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	6,036,113	10,438,826	16,474,939
Restricted For:			
Capital Projects	539,273	0	539,273
Debt Service	80,046	0	80,046
Other Purposes	1,281,595	0	1,281,595
Unrestricted	444,776	11,222,030	11,666,806
<b>Total Net Assets</b>	<b>\$ 8,381,803</b>	<b>\$ 21,660,856</b>	<b>\$ 30,042,659</b>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2010**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 1,517,409	\$ 89,964	\$ 39,581	\$ 0
Public Health and Welfare	159,633	54,700	0	0
Leisure Time Activities	362,208	163,502	0	0
Transportation	486,549	0	240,551	0
General Government	703,485	113,562	0	0
Interest and Fiscal Charges	1,375	0	0	0
<b>Total Governmental Activities</b>	<b>3,230,659</b>	<b>421,728</b>	<b>280,132</b>	<b>0</b>
<b>Business-Type Activities:</b>				
Water	1,008,389	1,174,871	0	0
Wastewater	1,682,358	1,230,296	0	1,121,843
Electric	7,740,939	7,895,483	0	0
Public Safety Vehicle Service	447,482	216,834	0	6,500
<b>Total Business-Type Activities</b>	<b>10,879,168</b>	<b>10,517,484</b>	<b>0</b>	<b>1,128,343</b>
<b>Totals</b>	<b>\$ 14,109,827</b>	<b>\$ 10,939,212</b>	<b>\$ 280,132</b>	<b>\$ 1,128,343</b>

**General Revenues**

Property Taxes Levied for:

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

Income Tax

Other Local Taxes

Intergovernmental, Unrestricted

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,387,864)	\$ 0	\$ (1,387,864)
(104,933)	0	(104,933)
(198,706)	0	(198,706)
(245,998)	0	(245,998)
(589,923)	0	(589,923)
(1,375)	0	(1,375)
<u>(2,528,799)</u>	<u>0</u>	<u>(2,528,799)</u>
0	166,482	166,482
0	669,781	669,781
0	154,544	154,544
0	(224,148)	(224,148)
<u>0</u>	<u>766,659</u>	<u>766,659</u>
<u>(2,528,799)</u>	<u>766,659</u>	<u>(1,762,140)</u>
364,288	0	364,288
40,402	0	40,402
14,632	0	14,632
0	262,366	262,366
1,758,406	0	1,758,406
41,530	0	41,530
572,833	40,961	613,794
75,256	4,369	79,625
258,520	0	258,520
(396,316)	396,316	0
<u>2,729,551</u>	<u>704,012</u>	<u>3,433,563</u>
200,752	1,470,671	1,671,423
<u>8,181,051</u>	<u>20,190,185</u>	<u>28,371,236</u>
<u>\$ 8,381,803</u>	<u>\$ 21,660,856</u>	<u>\$ 30,042,659</u>

**CITY OF COLUMBIANA, OHIO**

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**

	General	Income Tax	Capital Improvement
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 111,157	\$ 270,006	\$ 387,604
Investments	55,300	0	0
Receivables:			
Taxes	627,925	426,461	0
Accounts	24,867	0	0
Intergovernmental	114,611	0	0
Interest	2,139	0	0
Inventory of Supplies, at Cost	0	0	0
Prepaid Items	36,475	0	1,540
<b>Total Assets</b>	<u>\$ 972,474</u>	<u>\$ 696,467</u>	<u>\$ 389,144</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 2,292	\$ 70	\$ 0
Accrued Wages and Benefits Payable	77,521	5,758	14,998
Intergovernmental Payable	2,038	0	0
Deferred Revenue	693,069	0	0
<b>Total Liabilities</b>	<u>774,920</u>	<u>5,828</u>	<u>14,998</u>
<b>Fund Balance:</b>			
Reserved for Encumbrances	43,265	2,737	49,929
Reserved for Prepaid Items	36,475	0	1,540
Reserved for Supplies Inventory	0	0	0
Reserved for Endowments	0	0	0
Undesignated, Unreserved in:			
General Fund	117,814	0	0
Special Revenue Funds	0	687,902	0
Debt Service Fund	0	0	0
Capital Project Funds	0	0	322,677
<b>Total Fund Balance</b>	<u>197,554</u>	<u>690,639</u>	<u>374,146</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 972,474</u>	<u>\$ 696,467</u>	<u>\$ 389,144</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 673,708	\$ 1,442,475
150,138	205,438
44,905	1,099,291
125	24,992
98,106	212,717
0	2,139
19,872	19,872
4,157	42,172
<u>\$ 991,011</u>	<u>\$ 3,049,096</u>
\$ 931	\$ 3,293
55,562	153,839
645	2,683
<u>110,871</u>	<u>803,940</u>
<u>168,009</u>	<u>963,755</u>
26,607	122,538
4,157	42,172
19,872	19,872
154,055	154,055
0	117,814
358,619	1,046,521
80,046	80,046
<u>179,646</u>	<u>502,323</u>
<u>823,002</u>	<u>2,085,341</u>
<u>\$ 991,011</u>	<u>\$ 3,049,096</u>

**CITY OF COLUMBIANA, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2010***

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**Total Governmental Fund Balances** \$ 2,085,341

***Amounts reported for governmental activities in the  
statement of net assets are different because***

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 6,036,113

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 200,885

Internal service funds are used by management to charge  
the costs of insurance to individual funds. The assets  
and liabilities of the internal service funds are included in  
business-type activities in the statement of net assets. 195,134

Long-term liabilities, including compensated absences payable  
are not due and payable in the current period and therefore are not  
reported in the funds.

Compensated Absences Payable (135,670)

***Net Assets of Governmental Activities*** \$ 8,381,803

See accompanying notes to the basic financial statements

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**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2010**

	General	Income Tax	Capital Improvement
<b>Revenues:</b>			
Taxes	\$ 341,131	\$ 1,758,406	\$ 0
Other Local Taxes	0	0	0
Intergovernmental Revenues	583,931	0	0
Charges for Services	57,733	0	0
Licenses and Permits	113,562	0	0
Investment Earnings	118,382	0	0
Fines and Forfeitures	31,831	0	0
All Other Revenue	59,318	1,726	176,555
<b>Total Revenue</b>	<b>1,305,888</b>	<b>1,760,132</b>	<b>176,555</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	1,295,777	0	0
Public Health and Welfare	0	0	0
Leisure Time Activities	0	0	0
Transportation	0	0	0
General Government	274,146	121,303	0
Capital Outlay	0	0	1,122,244
Debt Service:			
Interest & Fiscal Charges	0	0	1,375
<b>Total Expenditures</b>	<b>1,569,923</b>	<b>121,303</b>	<b>1,123,619</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(264,035)	1,638,829	(947,064)
<b>Other Financing Sources (Uses):</b>			
Transfers In	690,000	0	690,000
Transfers Out	(398,400)	(1,380,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>291,600</b>	<b>(1,380,000)</b>	<b>690,000</b>
Net Change in Fund Balances	27,565	258,829	(257,064)
<b>Fund Balance at Beginning of Year</b>	<b>169,989</b>	<b>431,810</b>	<b>631,210</b>
Increase in Inventory Reserve	0	0	0
<b>Fund Balance End of Year</b>	<b>\$ 197,554</b>	<b>\$ 690,639</b>	<b>\$ 374,146</b>

See accompanying notes to the basic financial statements



**CITY OF COLUMBIANA, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 55,611	\$ 2,155,148
41,530	41,530
288,070	872,001
218,202	275,935
0	113,562
3,038	121,420
400	32,231
20,921	258,520
<u>627,772</u>	<u>3,870,347</u>
124,896	1,420,673
146,768	146,768
311,428	311,428
286,775	286,775
10,102	405,551
25,895	1,148,139
<u>0</u>	<u>1,375</u>
<u>905,864</u>	<u>3,720,709</u>
(278,092)	149,638
398,400	1,778,400
<u>(11,152)</u>	<u>(1,789,552)</u>
<u>387,248</u>	<u>(11,152)</u>
109,156	138,486
712,635	1,945,644
1,211	1,211
<u>\$ 823,002</u>	<u>\$ 2,085,341</u>

**CITY OF COLUMBIANA, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended December 31, 2010***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 138,486

***Amounts reported for governmental activities in the statement of activities are different because***

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

Capital Outlay	506,278	
Depreciation Expense	<u>(345,325)</u>	160,953

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (42,620)

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

Compensated Absences	(4,688)	
Change in Inventory	<u>1,211</u>	(3,477)

Internal Service Funds used by management to charge the costs of insurance to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities. (52,590)

***Change in Net Assets of Governmental Activities*** \$ 200,752

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 260,506	\$ 255,440	\$ 341,131	\$ 85,691
Intergovernmental Revenue	622,009	609,911	577,995	(31,916)
Charges for Services	59,894	58,729	57,733	(996)
Licenses and Permits	111,891	109,715	112,746	3,031
Investment Earnings	121,103	118,748	120,683	1,935
Fines and Forfeitures	42,290	41,468	30,969	(10,499)
All Other Revenues	42,203	41,382	59,310	17,928
Total Revenues	<u>1,259,896</u>	<u>1,235,393</u>	<u>1,300,567</u>	<u>65,174</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,231,973	1,361,771	1,303,025	58,746
Public Health and Welfare	0	6,953	0	6,953
General Government	359,802	290,342	282,758	7,584
Total Expenditures	<u>1,591,775</u>	<u>1,659,066</u>	<u>1,585,783</u>	<u>73,283</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(331,879)	(423,673)	(285,216)	138,457
<b>Other Financing Sources (Uses):</b>				
Transfers In	690,000	690,000	690,000	0
Transfers Out	(412,900)	(398,400)	(398,400)	0
Advances In	65,218	65,218	0	(65,218)
Total Other Financing Sources (Uses):	<u>342,318</u>	<u>356,818</u>	<u>291,600</u>	<u>(65,218)</u>
Net Change in Fund Balance	10,439	(66,855)	6,384	73,239
Fund Balance at Beginning of Year	108,282	108,282	108,282	0
Prior Year Encumbrances	8,254	8,254	8,254	0
Fund Balance at End of Year	<u>\$ 126,975</u>	<u>\$ 49,681</u>	<u>\$ 122,920</u>	<u>\$ 73,239</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Income Tax Fund  
For the Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,779,588	\$ 1,697,279	\$ 1,698,597	\$ 1,318
All Other Revenues	412	393	1,726	1,333
Total Revenues	1,780,000	1,697,672	1,700,323	2,651
<b>Expenditures:</b>				
Current:				
General Government	202,476	125,756	124,240	1,516
Total Expenditures	202,476	125,756	124,240	1,516
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,577,524	1,571,916	1,576,083	4,167
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,380,000)	(1,380,000)	(1,380,000)	0
Total Other Financing Sources (Uses):	(1,380,000)	(1,380,000)	(1,380,000)	0
Net Change in Fund Balance	197,524	191,916	196,083	4,167
Fund Balance at Beginning of Year	69,388	69,388	69,388	0
Prior Year Encumbrances	1,798	1,798	1,798	0
Fund Balance at End of Year	\$ 268,710	\$ 263,102	\$ 267,269	\$ 4,167

See accompanying notes to the basic financial statements

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**CITY OF COLUMBIANA, OHIO**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2010**

	Business-Type Activities - Enterprise Funds			
	Major			Nonmajor
	Water	Wastewater	Electric	Public Safety Vehicle Service
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 442,507	\$ 1,345,473	\$ 2,925,347	\$ 196,322
Investments	20,000	120,000	70,000	0
Taxes Receivable	0	0	0	276,693
Accounts Receivable	164,836	165,376	912,752	51,400
Intergovernmental Receivables	0	0	0	11,802
Interest Receivable	0	10	0	0
Special Assessments Receivable	165,000	4,911,605	0	0
Inventory of Supplies at Cost	1,386	1,782	0	0
Prepaid Items	7,456	7,901	11,596	8,001
Total Current Assets	<u>801,185</u>	<u>6,552,147</u>	<u>3,919,695</u>	<u>544,218</u>
Noncurrent Assets:				
Investment in Joint Venture	0	0	193,675	0
Capital Assets, Net	<u>3,211,261</u>	<u>15,999,294</u>	<u>4,751,969</u>	<u>129,667</u>
Total Noncurrent Assets	<u>3,211,261</u>	<u>15,999,294</u>	<u>4,945,644</u>	<u>129,667</u>
Total Assets	<u>4,012,446</u>	<u>22,551,441</u>	<u>8,865,339</u>	<u>673,885</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	1,241	1,627	486,950	338
Accrued Wages and Benefits	27,964	30,369	53,097	24,260
Intergovernmental Payable	11,815	3,009	29,815	0
Claims Payable	0	0	0	0
Unearned Revenue	0	0	0	246,797
Accrued Interest Payable	12,207	110,429	5,528	1,659
General Obligation Notes Payable	1,240,000	0	600,000	0
General Obligation Bonds Payable - Current	0	0	0	5,100
Revenue Bond Payable - Current	0	90,600	0	0
Special Assessment Bond Payable - Current	10,000	220,000	0	0
OPWC Loans Payable - Current	0	17,145	0	0
Compensated Absences - Current	18,036	9,946	27,711	6,189
Total Current Liabilities	<u>1,321,263</u>	<u>483,125</u>	<u>1,203,101</u>	<u>284,343</u>

**CITY OF COLUMBIANA, OHIO**

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<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 4,909,649	\$ 642,817
210,000	0
276,693	0
1,294,364	2,361
11,802	0
10	0
5,076,605	0
3,168	0
34,954	0
<u>11,817,245</u>	<u>645,178</u>
193,675	0
<u>24,092,191</u>	<u>0</u>
<u>24,285,866</u>	<u>0</u>
<u>36,103,111</u>	<u>645,178</u>
490,156	0
135,690	829
44,639	0
0	58,737
246,797	0
129,823	0
1,840,000	0
5,100	0
90,600	0
230,000	0
17,145	0
61,882	0
<u>3,291,832</u>	<u>59,566</u>

(Continued)

**CITY OF COLUMBIANA, OHIO**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2010**

	Business-Type Activities - Enterprise Funds			
	Major			Nonmajor
	Water	Wastewater	Electric	Public Safety Vehicle Service
Noncurrent Liabilities:				
General Obligation Bonds Payable	0	0	0	50,200
Special Assessment Bonds Payable	155,000	4,250,000	0	0
Revenue Bonds Payable	0	6,741,000	0	0
OPWC Loans Payable	0	274,320	0	0
Compensated Absences Payable	22,729	17,433	23,755	6,464
Total Noncurrent Liabilities	<u>177,729</u>	<u>11,282,753</u>	<u>23,755</u>	<u>56,664</u>
Total Liabilities	<u>1,498,992</u>	<u>11,765,878</u>	<u>1,226,856</u>	<u>341,007</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,806,261	4,406,229	4,151,969	74,367
Unrestricted	707,193	6,379,334	3,486,514	258,511
Total Net Assets	<u>\$ 2,513,454</u>	<u>\$ 10,785,563</u>	<u>\$ 7,638,483</u>	<u>\$ 332,878</u>

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

Net Assets of Business-type Activities

See accompanying notes to the basic financial statements



**CITY OF COLUMBIANA, OHIO**

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<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
50,200	0
4,405,000	0
6,741,000	0
274,320	0
70,381	0
<u>11,540,901</u>	<u>0</u>
<u>14,832,733</u>	<u>59,566</u>
10,438,826	0
<u>10,831,552</u>	<u>585,612</u>
<u>\$ 21,270,378</u>	<u>\$ 585,612</u>
<u>390,478</u>	
<u>\$ 21,660,856</u>	

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2010**

	Business-Type Activities - Enterprise Funds			
	Major			Nonmajor
	Water	Wastewater	Electric	Public Safety Vehicle Service
<b>Operating Revenues:</b>				
Charges for Services	\$ 1,159,339	\$ 1,218,943	\$ 7,765,413	\$ 214,698
Other Operating Revenues	15,532	11,353	129,304	1,811
<b>Total Operating Revenues</b>	<u>1,174,871</u>	<u>1,230,296</u>	<u>7,894,717</u>	<u>216,509</u>
<b>Operating Expenses:</b>				
Personal Services	544,639	487,042	902,104	355,940
Contractual Services	175,593	109,253	6,036,632	35,910
Materials and Supplies	130,081	20,358	203,680	28,500
Depreciation	109,001	566,065	397,098	14,198
Other Operating Expenses	9,185	10,501	8,205	8,942
<b>Total Operating Expenses</b>	<u>968,499</u>	<u>1,193,219</u>	<u>7,547,719</u>	<u>443,490</u>
<b>Operating Income (Loss)</b>	206,372	37,077	346,998	(226,981)
<b>Non-Operating Revenue (Expenses):</b>				
Interest Income	177	(506)	4,698	0
Interest and Fiscal Charges	(39,795)	(489,080)	(116,920)	(2,524)
Taxes	0	0	0	262,366
Income from Joint Venture	0	0	766	0
Intergovernmental Grants	0	0	0	47,461
Other Nonoperating Revenue	0	0	0	325
Other Nonoperating Expense	(95)	(59)	(22,210)	(1,468)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(39,713)</u>	<u>(489,645)</u>	<u>(133,666)</u>	<u>306,160</u>
<b>Income (Loss) Before Transfers and Contributions</b>	166,659	(452,568)	213,332	79,179
<b>Transfers and Contributions:</b>				
Capital Contributions	385,164	1,121,843	0	0
Transfers-In	2,950	8,202	0	0
<b>Total Transfers and Contributions</b>	<u>388,114</u>	<u>1,130,045</u>	<u>0</u>	<u>0</u>
<b>Change in Net Assets</b>	554,773	677,477	213,332	79,179
Net Assets Beginning of Year	1,958,681	10,108,086	7,425,151	253,699
<b>Net Assets End of Year</b>	<u>\$ 2,513,454</u>	<u>\$ 10,785,563</u>	<u>\$ 7,638,483</u>	<u>\$ 332,878</u>

Change in Net Assets - Total Enterprise Funds

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

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Total	Governmental Activities - Internal Service Fund
\$ 10,358,393	\$ 918,084
158,000	1,731
10,516,393	919,815
2,289,725	1,025,887
6,357,388	0
382,619	74
1,086,362	0
36,833	534
10,152,927	1,026,495
363,466	(106,680)
4,369	0
(648,319)	0
262,366	0
766	0
47,461	0
325	0
(23,832)	0
(356,864)	0
6,602	(106,680)
1,507,007	0
11,152	0
1,518,159	0
1,524,761	(106,680)
19,745,617	692,292
\$ 21,270,378	\$ 585,612
\$ 1,524,761	
(54,090)	
\$ 1,470,671	

**CITY OF COLUMBIANA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2010**

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,167,014	\$1,275,309	\$8,052,662
Cash Payments for Goods and Services	(325,278)	(145,531)	(6,288,723)
Cash Payments to Employees	(530,739)	(485,962)	(883,498)
Net Cash Provided (Used) by Operating Activities	<u>310,997</u>	<u>643,816</u>	<u>880,441</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Tax Receipts	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from the Sale of Notes	1,240,000	0	600,000
Intergovernmental Grants	0	1,259,039	0
General Obligation Bond Retirement	0	0	0
Special Assessment Bond Retirement	0	(200,000)	0
Mortgage Revenue Bond Retirement	0	(87,000)	0
OWDA Loan Retirement	0	(17,145)	0
Note Retirement	(1,340,000)	0	(920,000)
Interest and Fiscal Charges	(37,520)	(480,380)	(124,502)
Acquisition and Construction of Assets	(85,746)	(1,309,287)	(131,998)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(223,266)</u>	<u>(834,773)</u>	<u>(576,500)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	201	201	0
Sale (Purchase) of Investment	(20,000)	944,745	2,189,291
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(19,799)</u>	<u>944,946</u>	<u>2,189,291</u>
Net Increase (Decrease) in Cash and Cash Equivalents	67,932	753,989	2,493,232
Cash and Cash Equivalents at Beginning of Year	<u>374,575</u>	<u>591,484</u>	<u>432,115</u>
Cash and Cash Equivalents at End of Year	<u>\$442,507</u>	<u>\$1,345,473</u>	<u>\$2,925,347</u>

**CITY OF COLUMBIANA, OHIO**

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<u>Nonmajor</u>		Governmental-
Public Safety		Activities
Vehicle Service	Totals	Internal Service
		Fund
\$220,060	\$10,715,045	\$917,999
(80,312)	(6,839,844)	(608)
(352,408)	(2,252,607)	(1,052,232)
<u>(212,660)</u>	<u>1,622,594</u>	<u>(134,841)</u>
<u>266,087</u>	<u>266,087</u>	<u>0</u>
<u>266,087</u>	<u>266,087</u>	<u>0</u>
0	1,840,000	0
44,192	1,303,231	0
(4,700)	(4,700)	0
0	(200,000)	0
0	(87,000)	0
0	(17,145)	0
0	(2,260,000)	0
(2,596)	(644,998)	0
(5,853)	(1,532,884)	0
<u>31,043</u>	<u>(1,603,496)</u>	<u>0</u>
0	402	0
0	3,114,036	0
<u>0</u>	<u>3,114,438</u>	<u>0</u>
84,470	3,399,623	(134,841)
<u>111,852</u>	<u>1,510,026</u>	<u>777,658</u>
<u>\$196,322</u>	<u>\$4,909,649</u>	<u>\$642,817</u>

(Continued)

**CITY OF COLUMBIANA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2010**

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$206,372	\$37,077	\$346,998
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	109,001	566,065	397,098
Non-Operating Revenue	0	0	45,625
Non-Operating Expense	(95)	(59)	(22,210)
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(17,857)	(10,633)	112,320
(Increase) Decrease in Inventory	289	(1,782)	0
(Increase) Decrease in Prepaids	326	(247)	(181)
Decrease in Special Assessments Receivable	10,000	55,646	0
Decrease in Accounts Payable	(20,080)	(3,373)	(20,307)
Increase in Accrued Wages and Benefits	6,698	6,812	15,996
Increase in Intergovernmental Payable	9,141	42	2,492
Decrease in Claims Payable	0	0	0
Increase (Decrease) in Compensated Absences	7,202	(5,732)	2,610
Total Adjustments	<u>104,625</u>	<u>606,739</u>	<u>533,443</u>
Net Cash Provided (Used) by Operating Activities	<u>\$310,997</u>	<u>\$643,816</u>	<u>\$880,441</u>

Schedule of Noncash Investing, Capital and Financing Activities:

During 2010, the Water Fund received capital contributions from Governmental Activities in the amount of \$385,164.

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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<u>Nonmajor</u> Public Safety Vehicle Service	<u>Totals</u>	<u>Governmental- Activities Internal Service Fund</u>
(\$226,981)	\$363,466	(\$106,680)
14,198	1,086,362	0
325	45,950	0
(1,468)	(23,832)	0
3,226	87,056	(1,816)
0	(1,493)	0
(1,296)	(1,398)	0
0	65,646	0
(3,998)	(47,758)	(285)
2,374	31,880	691
0	11,675	0
0	0	(26,751)
960	5,040	0
<u>14,321</u>	<u>1,259,128</u>	<u>(28,161)</u>
<u>(\$212,660)</u>	<u>\$1,622,594</u>	<u>(\$134,841)</u>

**CITY OF COLUMBIANA, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Fund  
December 31, 2010***

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	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 3,474
<b>Total Assets</b>	<u>3,474</u>
<b>Liabilities:</b>	
Due to Others	<u>3,474</u>
<b>Total Liabilities</b>	<u>\$ 3,474</u>

See accompanying notes to the basic financial statements



## **CITY OF COLUMBIANA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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

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

The financial statements are presented as of December 31, 2010 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

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

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

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

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2010*

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

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

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

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

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

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

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

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

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

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

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

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2010*

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

##### **B. Basis of Presentation - Fund Accounting** (Continued)

###### *Fiduciary Funds*

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

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

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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

##### **C. Basis of Presentation – Financial Statements (Continued)**

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

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

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

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

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2010*

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

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

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

Property taxes measurable as of December 31, 2010 but which are not intended to finance 2010 operations and other revenue received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 3.

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

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

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## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2010*

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

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

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

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

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

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

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2010.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2010*

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

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

##### 3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During 2010, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General and Major Special Revenue Funds" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

##### 4. Encumbrances

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

##### 5. Lapsing of Appropriations

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

##### 6. Budgetary Basis of Accounting

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

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010**

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

**E. Budgetary Process (Continued)**

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

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

	<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>	<u>Income Tax Fund</u>
GAAP Basis (as reported)	\$27,565	\$258,829
Increase (Decrease):		
Accrued Revenues at December 31, 2010 received during 2011	(76,473)	(426,461)
Accrued Revenues at December 31, 2009 received during 2010	71,152	366,652
Accrued Expenditures at December 31, 2010 paid during 2011	81,851	5,828
Accrued Expenditures at December 31, 2009 paid during 2010	(66,244)	(6,028)
2009 Prepays for 2010	48,545	0
2010 Prepays for 2011	(36,475)	0
Outstanding Encumbrances	(43,537)	(2,737)
Budget Basis	<u>\$6,384</u>	<u>\$196,083</u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, short-term certificates of deposit with original maturities of three months or less and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio and certificates of deposit are considered cash equivalents because they are highly liquid investments with maturity dates of three months or less.

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. See Note 2, "Cash, Cash Equivalents and Investments."



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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

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

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. The City allocates interest among the various funds as determined by City Ordinance. See Note 2, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2010.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. The City assigns investment earnings to the General fund and various other governmental, proprietary and fiduciary funds. Interest revenue credited to the General fund during 2010 amounted to \$118,382, which includes \$114,566 assigned from other funds.

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

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

##### **I. Inventory**

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

On the fund financial statements, reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

Inventory consists of expendable supplies held for consumption.

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010***

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

**J. Capital Assets and Depreciation**

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

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

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

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

**2. Property, Plant and Equipment – Business Type Activities**

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

**3. Depreciation**

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

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

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010***

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

**K. Long-Term Obligations**

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

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

**L. Compensated Absences**

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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

##### **M. Net Assets**

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

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

##### **N. Pensions**

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

##### **O. Interfund Activity**

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

##### **P. Reservations of Fund Balance**

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

##### **Q. Operating Revenues and Expenses**

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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

##### **R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during fiscal year 2010.

#### **NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010***

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**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

**A. Deposits**

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

At year end the carrying amount of the City's deposits was \$5,726,207 and the bank balance was \$5,780,665. Federal depository insurance covered \$500,000 of the bank balance and \$5,280,665 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$5,280,665</u>
Total Balance	<u><u>\$5,280,665</u></u>

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010**

**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The City's investments at December 31, 2010 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3 or more
STAR Ohio	\$1,632,346	AAA <sup>1,2</sup>	\$1,632,346	\$0	\$0
City of Columbiana Bond	55,300	N/A	5,100	16,700	33,500
Total Investments	<u>\$1,687,646</u>		<u>\$1,637,446</u>	<u>\$16,700</u>	<u>\$33,500</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 97% are STAR Ohio, and 3% was a City held note.

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

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

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

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$6,998,415	\$415,438
Certificates of Deposit (with maturities of more than 3 months)	360,138	(360,138)
Investments:		
STAR Ohio	(1,632,346)	1,632,346
Per GASB Statement No. 3	<u>\$5,726,207</u>	<u>\$1,687,646</u>

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2010*

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#### **NOTE 3 - TAXES**

##### **A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2010 were levied after October 1, 2009 on assessed values as of January 1, 2009 the lien date. Assessed values for real property are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed during 2010. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by July 20.

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on values as of January 1, 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.

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. House Bill No. 66 was to hold governments harmless by replacing a portion of the revenue lost due to the phasing out of the tax. In years 2006-2009, the lost revenue was fully reimbursed. In years 2010-2018, the lost revenue will not be reimbursed.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Columbiana. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2010 was \$6.80 per \$1,000 of assessed value. The assessed value upon which the 2010 levy was based was \$141,955,390. This amount constitutes \$140,710,060 in real property assessed value and \$1,245,330 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the City's share is .68% (6.80 mills) of assessed value.



**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010**

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**NOTE 3 - TAXES (Continued)**

**B. Income Tax**

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

**NOTE 4 - RECEIVABLES**

Receivables at December 31, 2010 consisted of taxes, accounts receivable, special assessments, interest, and intergovernmental receivables arising from shared revenues. All receivables other than those offset by unearned or deferred revenues are considered collectible in full.

**NOTE 5 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2010:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$690,000	\$398,400
Income Tax Fund	0	1,380,000
Capital Improvement Fund	690,000	0
Other Governmental Funds	398,400	11,152
Total Governmental Funds	<u>1,778,400</u>	<u>1,789,552</u>
Proprietary Funds:		
Water Fund	2,950	0
Wastewater Fund	8,202	0
Total Proprietary Funds	<u>11,152</u>	<u>0</u>
Totals	<u><u>\$1,789,552</u></u>	<u><u>\$1,789,552</u></u>

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010**

**NOTE 6 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2010:

***Historical Cost:***

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$935,782	\$0	\$0	\$935,782
Subtotal	935,782	0	0	935,782
<b><i>Capital assets being depreciated:</i></b>				
Buildings and Improvements	1,829,508	3,729	0	1,833,237
Improvements Other than Buildings	588,852	0	0	588,852
Infrastructure	3,647,157	274,323	0	3,921,480
Machinery and Equipment	2,315,858	228,226	0	2,544,084
Total Cost	\$9,317,157	\$506,278	\$0	\$9,823,435

***Accumulated Depreciation:***

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings and Improvements	(\$944,628)	(\$50,408)	\$0	(\$995,036)
Improvements Other than Buildings	(435,611)	(20,293)	0	(455,904)
Infrastructure	(379,647)	(162,271)	0	(541,918)
Machinery and Equipment	(1,682,111)	(112,353)	0	(1,794,464)
Total Accumulated Depreciation	(\$3,441,997)	(\$345,325) *	\$0	(\$3,787,322)
<b><i>Net Value:</i></b>	<b>\$5,875,160</b>			<b>\$6,036,113</b>

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

Security of Persons and Property	\$71,273
Public Health and Welfare	6,977
Leisure Time Activities	46,327
Transportation	193,889
General Government	26,859
Total Depreciation Expense	<u>\$345,325</u>

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010**

**NOTE 6 - CAPITAL ASSETS (Continued)**

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

Summary by Category at December 31, 2010:

***Historical Cost:***

Class	December 31, 2009	Additions	Deletions	December 31, 2010
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$533,980	\$385,164	\$0	\$919,144
Construction in Progress	157,667	0	(157,667)	0
<b><i>Capital assets being depreciated:</i></b>				
Buildings and Improvements	10,322,822	36,790	0	10,359,612
Improvements Other than Buildings	461,721	15,243	0	476,964
Machinery and Equipment	8,072,832	186,267	0	8,259,099
Infrastructure	10,545,686	1,294,584	0	11,840,270
Total Cost	<u>\$30,094,708</u>	<u>\$1,918,048</u>	<u>(\$157,667)</u>	<u>\$31,855,089</u>

***Accumulated Depreciation:***

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings and Improvements	(\$1,917,683)	(\$275,246)	\$0	(\$2,192,929)
Improvements Other than Buildings	(78,269)	(23,880)	0	(102,149)
Machinery and Equipment	(3,911,482)	(489,039)	0	(4,400,521)
Infrastructure	(79,102)	(298,197)	0	(1,067,299)
Total Accumulated Depreciation	<u>(\$6,676,536)</u>	<u>(\$1,086,362)</u>	<u>\$0</u>	<u>(\$7,762,898)</u>
<b><i>Net Value:</i></b>	<u>\$23,418,172</u>	<u>\$831,686</u>	<u>(\$157,667)</u>	<u>\$24,092,191</u>

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

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

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2010*

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#### **NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2010, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2010 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 8.5% from January 1 through February 28, 2010 and 9.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 9.27% from January 1 through February 28, 2010, and 9.77% from March 1 through December 31, 2010. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2010, 2009, and 2008 were \$203,010, \$190,725 and \$161,448, respectively, which were equal to the required contributions for each year.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2010, 12.75% of annual covered salary for police were the portions used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2010, 2009, and 2008 were \$76,562, \$94,054 and \$98,050 for police, which were equal to the required contributions for each year.

#### **NOTE 8 - POSTEMPLOYMENT BENEFITS**

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

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

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

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

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2010, 2009, and 2008 were \$116,477, \$138,452 and \$161,448, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2010*

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#### **NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% of covered payroll for police. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2010, 2009, and 2008 were \$40,533, \$49,793 and \$51,909 for police, which were equal to the required contributions for each year.

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010***

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**NOTE 9 - NOTES PAYABLE**

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

	Balance January 1, 2010	Issued	(Retired)	Balance December 31, 2010
Capital Projects Fund Notes Payable:				
3.000% Street Improvements	\$100,000	\$0	(\$100,000)	\$0
Enterprise Fund Note Payable:				
3.000% Water Treatment Improvement	690,000	0	(690,000)	0
1.650% Water Treatment Improvement	0	690,000	0	690,000
3.000% Water Main Improvement	650,000	0	(650,000)	0
1.650% Water Main Improvement	0	550,000	0	550,000
3.000% Electric System Improvements	920,000	0	(920,000)	0
1.650% Electric System Improvements	0	600,000	0	600,000
Total Enterprise Fund Notes Payable	<u>2,260,000</u>	<u>1,840,000</u>	<u>(2,260,000)</u>	<u>1,840,000</u>
Total Notes Payable	<u>\$2,360,000</u>	<u>\$1,840,000</u>	<u>(\$2,360,000)</u>	<u>\$1,840,000</u>

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## CITY OF COLUMBIANA, OHIO

### Notes to the Basic Financial Statements For the Year Ended December 31, 2010

#### NOTE 10 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2010 was as follows:

Interest Rate	Purpose		Balance December 31, 2009	Additions	Deductions	Balance December 31, 2010	Amount Due Within One Year
<b>Governmental Activities:</b>							
	Compensated Absences		\$130,982	\$135,670	(\$130,982)	\$135,670	\$52,229
	Total Governmental Activities		130,982	135,670	(130,982)	135,670	52,229
<b>Business-Type Activities:</b>							
Special Assessment Bonds:							
6.00%	Waterline Improvements	2024	175,000	0	(10,000)	165,000	10,000
6.00%	Sanitary Sewer Improvements	2024	185,000	0	(10,000)	175,000	10,000
4.25%	Sanitary Sewer Improvements	2025	4,495,000	0	(200,000)	4,295,000	210,000
	Total Special Assessment Bonds		4,855,000	0	(220,000)	4,635,000	230,000
General Obligation Bond:							
4.50%	Public Safety Vehicle Purchase	2019	60,000	0	(4,700)	55,300	5,100
Mortgage Revenue Bond:							
4.13%	Wastewater Treatment System	2045	6,918,600	0	(87,000)	6,831,600	90,600
Ohio Public Works Commission Loan:							
0.00%	Sanitary Sewer Lines	2024	308,610	0	(17,145)	291,465	17,145
	Total Ohio Public Works Commission Loan		308,610	0	(17,145)	291,465	17,145
	Compensated Absences		127,223	132,263	(127,223)	132,263	61,882
	Total Business-Type Activities		12,269,433	132,263	(456,068)	11,945,628	404,727
	Total Other Long-Term Obligations		\$12,400,415	\$267,933	(\$587,050)	\$12,081,298	\$456,956

The principal amount of the City's special assessment debt outstanding at December 31, 2010, \$4,635,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2010 are as follows:

Years	Special Assessment Bonds		Mortgage Revenue Bond		General Obligation Bond		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$230,000	\$207,314	\$90,600	\$281,804	\$5,100	\$2,489	\$17,145	\$0
2012	235,000	198,554	93,600	278,066	5,300	2,265	17,145	0
2013	240,000	189,614	98,200	274,205	5,600	2,021	17,145	0
2014	255,000	180,164	102,300	270,155	5,800	1,769	17,145	0
2015	260,000	169,564	106,500	265,935	6,100	1,508	17,145	0
2016-2020	1,520,000	648,922	600,400	1,260,183	27,400	3,154	85,725	0
2021-2025	1,895,000	249,193	735,700	1,125,609	0	0	85,725	0
2026-2030	0	0	900,600	960,836	0	0	34,290	0
2031-2035	0	0	1,102,500	759,128	0	0	0	0
2036-2045	0	0	3,001,200	722,123	0	0	0	0
Totals	\$4,635,000	\$1,843,325	\$6,831,600	\$6,198,044	\$55,300	\$13,206	\$291,465	\$0

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010**

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**NOTE 11 – INSURANCE AND RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2010 the City contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Westfield Co.	Commercial Property & Liability	\$5,000
Western World	Ambulance/Medical	250
Westfield Co.	Contractors Equipment	0
Tudor Inc.	Public Officials	20,000
XL Insurance Co.	Law Enforcement Liability	5,000
Western World Co.	Volunteer Fire Department	0
Westfield Co.	Commercial Auto Coverage	500/1000
Westfield Co.	Employee Dishonesty	500

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

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

The claims liability of \$58,737 reported in the fund at December 31, 2010 is based on requirements of GASB No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the claim can be reasonably estimated.

Changes in the Fund's claims liability amount in fiscal year 2010 was as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2009	\$77,710	\$899,805	(\$892,027)	\$85,488
2010	85,488	1,025,481	(1,052,232)	58,737

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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

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

***Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1)*** – The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1). Omega JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Inc. (AMP) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV-1 purchased its electric generating facilities known as the Engle Units, from AMP in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's equity interest in OMEGA JV-1 was \$14,347 at December 31, 2010. Complete financial statements for Omega JV-1 can be obtained from AMP at 2600 Airport Drive, Columbus, Ohio 43219, or from the City's Finance Director.

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2010, Columbiana has met their debt coverage obligation.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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

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

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$179,328 at December 31, 2010. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

#### **NOTE 14 – SUBSEQUENT EVENTS**

On June 8, 2011, the City issued \$300,000 of Notes, in anticipation of the issuance of bonds, for electric system improvements and \$1,140,000 of Notes, in anticipation of the issuance of bonds, for water treatment system improvements. These Notes carry an interest rate of 1.55% and mature on June 7, 2012.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2010***

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#### **NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS**

For 2010 the City implemented GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*,” Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*,” and GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*”.

Statement No. 51 addresses accounting and financial reporting standards for intangible assets in order to reduce inconsistencies and enhance comparability among state and local governments. The application of this new standard did not have an effect on the financial statements, nor did implementation require a restatement of prior year balances.

GASB Statement No. 53 provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The implementation of this statement did not result in any changes to the financial statements.

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# Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, (the "City") as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 10, 2011.

We intend this report solely for the information and use of management, City Council, and others within the City. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

August 10, 2011





# Dave Yost • Auditor of State

**CITY OF COLUMBIANA**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 13, 2011**