



Mary Taylor, CPA  
Auditor of State



**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, Ohio (the City), as of and for the year ended December 31, 2004, 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, 2004, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and Income Tax funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As described in Note 2, during the year ended December 31, 2004, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

July 1, 2008

## **CITY OF COLUMBIANA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***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, 2004. 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 2004 are as follows:

- ❑ In total, net assets increased \$4,045,120. Net assets of governmental activities increased \$765,184, which represents a 22% increase from 2003. Net assets of business-type activities increased \$3,279,936 from 2003.
- ❑ General revenues accounted for \$2,815,467 in revenue or 20% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,975,650, or 80% of total revenues of \$13,791,117.
- ❑ The City had \$2,508,538 in expenses related to governmental activities; only \$640,777 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$2,632,945 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$1,761,657 in revenues and other financing sources and \$1,581,705 in expenditures and other financing uses. The general fund's fund balance increased from \$221,366 to \$401,318.

### **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, 2004*

*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**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***Unaudited***

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*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.

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

### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	Governmental Activities	Business-type Activities	Total
	2004	2004	2004
Current and other assets	\$3,284,596	\$7,357,846	\$10,642,442
Capital assets, Net	1,777,761	14,813,777	16,591,538
Total assets	5,062,357	22,171,623	27,233,980
Long-term debt outstanding	57,893	8,006,712	8,064,605
Other liabilities	811,399	7,419,793	8,231,192
Total liabilities	869,292	15,426,505	16,295,797
Net assets			
Invested in capital assets, net of related debt	1,777,761	5,636,685	7,414,446
Restricted	1,765,975	0	1,765,975
Unrestricted	649,329	1,108,433	1,757,762
Total net assets	\$4,193,065	\$6,745,118	\$10,938,183

## **CITY OF COLUMBIANA, OHIO**

***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***Unaudited***

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

	Governmental Activities	Business-type Activities	Total
	2004	2004	2004
Revenues			
Program revenues:			
Charges for Services and Sales	\$342,216	\$7,798,687	\$8,140,903
Operating Grants and Contributions	273,571	35,311	308,882
Capital Grants and Contributions	24,990	2,500,875	2,525,865
General revenues:			
Property Taxes	390,265	147,721	537,986
Income Taxes	1,444,167	0	1,444,167
Intergovernmental, Unrestricted	699,368	0	699,368
Investment Earnings	57,248	34,801	92,049
Miscellaneous	41,897	0	41,897
Total revenues	<u>3,273,722</u>	<u>10,517,395</u>	<u>13,791,117</u>
Program Expenses			
Security of Persons and Property	1,216,082	0	1,216,082
Leisure Time Activities	303,991	0	303,991
Public Health and Welfare	140,874	0	140,874
Transportation	199,886	0	199,886
General Government	637,735	0	637,735
Debt Service:			
Interest and Fiscal Charges	9,970	0	9,970
Water	0	732,230	732,230
Wastewater	0	929,443	929,443
Electric	0	5,267,707	5,267,707
Public Safety Vehicle Service	0	308,079	308,079
Total expenses	<u>2,508,538</u>	<u>7,237,459</u>	<u>9,745,997</u>
Total Change in Net Assets	765,184	3,279,936	4,045,120
Beginning Net Assets - Restated	<u>3,427,881</u>	<u>3,465,182</u>	<u>6,893,063</u>
Ending Net Assets	<u><u>\$4,193,065</u></u>	<u><u>\$6,745,118</u></u>	<u><u>\$10,938,183</u></u>

### ***Governmental Activities***

Net assets of the City's governmental activities increased \$765,184. This increase in net assets can mostly be attributed to grant monies received.

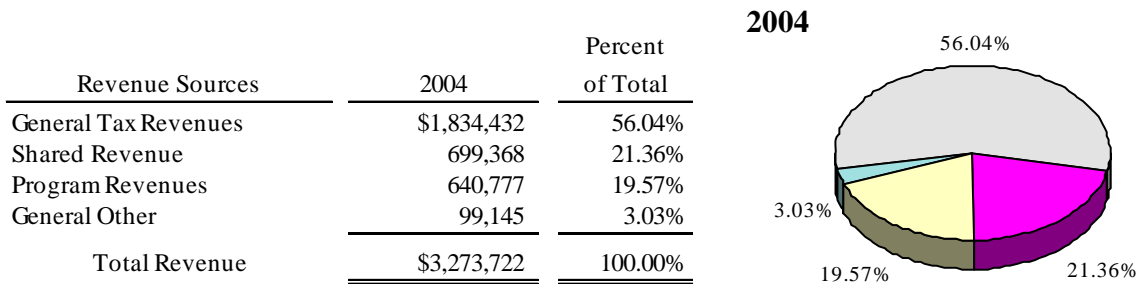
The City receives an income tax, which is based on 1% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City.

## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**Unaudited**

Income taxes and property taxes made up 44% and 12% respectively of revenues for governmental activities for the City in fiscal year 2004. The City's reliance upon tax revenues is demonstrated by the following graph indicating 56% of total revenues from general tax revenues:



### **Business-Type Activities**

Net assets of the business-type activities increased \$3,279,936. This substantial increase can be attributed to a large amount of capital grants and contributions received.

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

The City's governmental funds reported a combined fund balance of \$1,674,689, which is an increase from last year's balance of \$1,439,766. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2004 and 2003:

	Fund Balance December 31, 2004	Fund Balance December 31, 2003	Increase (Decrease)
General	\$401,318	\$221,366	\$179,952
Income Tax	383,860	261,667	122,193
Capital Improvement	(22,766)	(83,415)	60,649
Other Governmental	912,277	1,040,148	(127,871)
Total	\$1,674,689	\$1,439,766	\$234,923

## **CITY OF COLUMBIANA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***Unaudited***

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General Fund – The City's General Fund reported an increase in fund balance of \$179,952. This increase was mostly the result of an increase in estate taxes received.

Income Tax Fund – The City's Income Tax Fund experienced an increase in fund balance of 47%. This fund's revenues and expenditures remained very consistent, with revenues continuing to out pace expenditures.

Capital Improvement Fund – The City's Capital Improvement Fund experienced an increase in fund balance of 73%. Decreases in capital outlay expenditures contributed to this increase.

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 2004 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$1,723,517 was slightly higher than original budget estimates of \$1,714,000. The General Fund had an adequate fund balance to cover expenditures.

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

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

At the end of fiscal 2004 the City had \$16,591,538 net of accumulated depreciation invested in land, buildings, improvements, equipment and infrastructure. Of this total, \$1,777,761 was related to governmental activities and \$14,813,777 to the business-type activities. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$252,020	\$252,020	\$0
Buildings and Improvements	1,664,601	1,380,186	284,415
Improvements Other than Buildings	361,849	361,849	0
Machinery and Equipment	1,774,276	1,410,283	363,993
Less: Accumulated Depreciation	(2,274,985)	(2,134,978)	(140,007)
Totals	<u>\$1,777,761</u>	<u>\$1,269,360</u>	<u>\$508,401</u>

The largest component of these capital asset additions was the purchase of a new fire truck.

## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2004	2003	
Land	\$338,980	\$338,980	\$0
Construction in Progress	\$10,064,528	0	10,064,528
Buildings	2,450,841	570,094	1,880,747
Improvements other than Buildings	48,064	48,064	0
Machinery and Equipment	4,313,941	4,201,790	112,151
Infrastructure	275,654	178,214	97,440
Less: Accumulated Depreciation	(2,678,231)	(2,168,332)	(509,899)
Totals	\$14,813,777	\$3,168,810	\$11,644,967

The large amount of construction in progress can be attributed to ongoing wastewater treatment plant construction and sanitary sewer work. Additional information on the City's capital assets can be found in Note 9.

### **Debt**

The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	2004	2003
Governmental Activities:		
Tax Anticipation Notes	\$0	\$62,000
Compensated Absences	57,893	56,383
Total Governmental Activities	57,893	118,383
Business-Type Activities:		
Special Assessment Bonds	435,000	0
Ohio Water Development Authority Loans	7,239,244	737,858
Ohio Public Works Commission Loans	291,848	291,848
Compensated Absences	40,620	44,388
Total Business-Type Activities	8,006,712	1,074,094
Totals	\$8,064,605	\$1,192,477

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, 2004, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2004***

***Unaudited***

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### **ECONOMIC FACTORS**

The City of Columbiana is fortunate to have a diverse business base, with no dominate single industry. This City saw some major employers expand, such as Vari-Wall Tube (\$2,000,000), Columbiana Dodge (\$200,000) and Brett Tarbet (\$200,000). The City also saw two new facilities built. Perpetual Savings Bank (\$1,000,000) built a new bank where a former service station was located and Silverio Physical Therapists (\$700,000) located in the new Firestone Farms commercial area.

The City is also the fastest growing community in Columbiana County. In 2004 the City issued 77 housing unit permits.

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

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

### **REQUESTS FOR INFORMATION**

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

**CITY OF COLUMBIANA, OHIO**

**Statement of Net Assets**  
**December 31, 2004**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,560,218	\$ 4,555,747	\$ 6,115,965
Investments	0	634,638	634,638
Receivables:			
Taxes	657,560	6,584	664,144
Accounts	70,186	1,365,756	1,435,942
Intergovernmental	854,646	260,634	1,115,280
Interest	3,011	1,132	4,143
Special Assessments	0	435,000	435,000
Internal Balance	86,932	(86,932)	0
Prepaid Items	52,043	27,737	79,780
Investment in Joint Venture	0	157,550	157,550
Capital Assets, Net	1,777,761	14,813,777	16,591,538
<b>Total Assets</b>	<b>5,062,357</b>	<b>22,171,623</b>	<b>27,233,980</b>
<b>Liabilities:</b>			
Accounts Payable	46,129	628,484	674,613
Accrued Wages and Benefits	104,210	98,701	202,911
Intergovernmental Payable	1,425	4,111	5,536
Claims Payable	0	118,496	118,496
Deferred Revenue	357,924	0	357,924
Accrued Interest Payable	1,711	85,001	86,712
General Obligation Notes Payable	300,000	6,485,000	6,785,000
Noncurrent liabilities:			
Due within one year	32,707	27,191	59,898
Due in more than one year	25,186	7,979,521	8,004,707
<b>Total Liabilities</b>	<b>869,292</b>	<b>15,426,505</b>	<b>16,295,797</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	1,777,761	5,636,685	7,414,446
Restricted For:			
Capital Projects	1,045,947	0	1,045,947
Debt Service	3,759	0	3,759
Other Purposes	716,269	0	716,269
Unrestricted	649,329	1,108,433	1,757,762
<b>Total Net Assets</b>	<b>\$ 4,193,065</b>	<b>\$ 6,745,118</b>	<b>\$ 10,938,183</b>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2004**

	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	\$ 1,216,082	\$ 68,989	\$ 3,497	\$ 0
Leisure Time Activities	303,991	136,881	0	0
Public Health and Welfare	140,874	46,407	0	0
Transportation	199,886	0	270,074	0
General Government	637,735	89,939	0	24,990
Interest and Fiscal Charges	9,970	0	0	0
<b>Total Governmental Activities</b>	<b>2,508,538</b>	<b>342,216</b>	<b>273,571</b>	<b>24,990</b>
<b>Business-Type Activities:</b>				
Water	732,230	764,931	0	231,000
Wastewater	929,443	1,234,757	0	2,269,875
Electric	5,267,707	5,619,231	0	0
Public Safety Vehicle Service	308,079	179,768	35,311	0
<b>Total Business-Type Activities</b>	<b>7,237,459</b>	<b>7,798,687</b>	<b>35,311</b>	<b>2,500,875</b>
<b>Totals</b>	<b>\$ 9,745,997</b>	<b>\$ 8,140,903</b>	<b>\$ 308,882</b>	<b>\$ 2,525,865</b>

**General Revenues**

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

Change in Net Assets

Net Assets Beginning of Year - Restated  
 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
\$ (1,143,596)	\$ 0	\$ (1,143,596)
(167,110)	0	(167,110)
(94,467)	0	(94,467)
70,188	0	70,188
(522,806)	0	(522,806)
(9,970)	0	(9,970)
<u>(1,867,761)</u>	<u>0</u>	<u>(1,867,761)</u>
0	263,701	263,701
0	2,576,624	2,576,624
0	349,519	349,519
0	(92,430)	(92,430)
<u>0</u>	<u>3,097,414</u>	<u>3,097,414</u>
<u>(1,867,761)</u>	<u>3,097,414</u>	<u>1,229,653</u>
219,972	0	219,972
27,924	0	27,924
56,458	0	56,458
85,911	0	85,911
0	147,721	147,721
1,444,167	0	1,444,167
699,368	0	699,368
57,248	34,801	92,049
41,897	0	41,897
<u>2,632,945</u>	<u>182,522</u>	<u>2,815,467</u>
765,184	3,279,936	4,045,120
3,427,881	3,465,182	6,893,063
<u>\$ 4,193,065</u>	<u>\$ 6,745,118</u>	<u>\$ 10,938,183</u>

**CITY OF COLUMBIANA, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2004**

	General	Income Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 219,680	\$ 106,100	\$ 304,788	\$ 929,650	\$ 1,560,218
Receivables:					
Taxes	337,120	281,057	0	39,383	657,560
Accounts	65,320	0	1,714	3,152	70,186
Intergovernmental	146,985	0	568,000	139,661	854,646
Interest	2,527	0	0	484	3,011
Due from Other Funds	25,000	0	0	0	25,000
Prepaid Items	50,318	0	0	1,725	52,043
<b>Total Assets</b>	<b>\$ 846,950</b>	<b>\$ 387,157</b>	<b>\$ 874,502</b>	<b>\$ 1,114,055</b>	<b>\$ 3,222,664</b>
<b>Liabilities:</b>					
Accounts Payable	\$ 18,976	\$ 51	\$ 16,372	\$ 10,730	\$ 46,129
Accrued Wages and Benefits Payable	38,049	3,077	11,185	51,899	104,210
Intergovernmental Payable	833	169	0	423	1,425
Deferred Revenue	387,774	0	568,000	138,726	1,094,500
Accrued Interest Payable	0	0	1,711	0	1,711
General Obligation Notes Payable	0	0	300,000	0	300,000
<b>Total Liabilities</b>	<b>445,632</b>	<b>3,297</b>	<b>897,268</b>	<b>201,778</b>	<b>1,547,975</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	15,187	2,774	733,861	235,247	987,069
Reserved for Prepaid Items	50,318	0	0	1,725	52,043
Reserved for Endowments	0	0	0	166,589	166,589
Undesignated, Unreserved in:					
General Fund	335,813	0	0	0	335,813
Special Revenue Funds	0	381,086	0	211,946	593,032
Debt Service Fund	0	0	0	3,759	3,759
Capital Project Funds	0	0	(756,627)	293,011	(463,616)
<b>Total Fund Balances</b>	<b>401,318</b>	<b>383,860</b>	<b>(22,766)</b>	<b>912,277</b>	<b>1,674,689</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 846,950</b>	<b>\$ 387,157</b>	<b>\$ 874,502</b>	<b>\$ 1,114,055</b>	<b>\$ 3,222,664</b>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2004***

---

<b>Total Governmental Fund Balances</b>	\$ 1,674,689
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	1,777,761
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	736,576
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 governmental activities in the statement of net assets.	61,932
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences Payable	(57,893)
<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$ 4,193,065</u></u></b>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2004**

	General	Income Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 256,273	\$ 1,444,167	\$ 0	\$ 173,174	\$ 1,873,614
Intergovernmental Revenues	675,252	0	0	308,586	983,838
Charges for Services	37,817	0	0	183,288	221,105
Licenses and Permits	89,939	0	0	0	89,939
Investment Earnings	48,279	0	0	8,969	57,248
Fines and Forfeitures	25,023	0	0	6,149	31,172
All Other Revenue	4,958	0	4,311	27,465	36,734
<b>Total Revenue</b>	<b>1,137,541</b>	<b>1,444,167</b>	<b>4,311</b>	<b>707,631</b>	<b>3,293,650</b>
<b>Expenditures:</b>					
Current:					
Security of Persons and Property	1,024,943	0	0	130,545	1,155,488
Public Health and Welfare	12,726	0	0	121,690	134,416
Leisure Time Activities	0	0	0	258,199	258,199
Transportation	0	0	0	178,135	178,135
General Government	262,036	75,974	0	11,520	349,530
Capital Outlay	0	0	563,797	352,058	915,855
Debt Service:					
Principal Retirement	0	0	0	62,000	62,000
Interest & Fiscal Charges	0	0	3,034	7,233	10,267
<b>Total Expenditures</b>	<b>1,299,705</b>	<b>75,974</b>	<b>566,831</b>	<b>1,121,380</b>	<b>3,063,890</b>
Excess (Deficiency) of Revenues Over Expenditures	(162,164)	1,368,193	(562,520)	(413,749)	229,760
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	1,116	0	169	3,878	5,163
Transfers In	623,000	0	623,000	282,000	1,528,000
Transfers Out	(282,000)	(1,246,000)	0	0	(1,528,000)
<b>Total Other Financing Sources (Uses)</b>	<b>342,116</b>	<b>(1,246,000)</b>	<b>623,169</b>	<b>285,878</b>	<b>5,163</b>
Net Change in Fund Balances	179,952	122,193	60,649	(127,871)	234,923
<b>Fund Balances at Beginning of Year</b>	<b>221,366</b>	<b>261,667</b>	<b>(83,415)</b>	<b>1,040,148</b>	<b>1,439,766</b>
<b>Fund Balances End of Year</b>	<b>\$ 401,318</b>	<b>\$ 383,860</b>	<b>\$ (22,766)</b>	<b>\$ 912,277</b>	<b>\$ 1,674,689</b>

See accompanying notes to the basic financial statements

**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, 2004***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 234,923

***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 outlays exceeded depreciation in the current period.

Capital Outlay	648,408	
Depreciation Expense	<u>(140,007)</u>	508,401

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (25,091)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Tax Anticipation Note Payable	<u>62,000</u>	62,000
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 297

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		(1,510)
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Internal Service Funds used by management to charge the costs of insurance to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated.

The net revenue (expense) of the internal service funds is allocated among the governmental activities. (13,836)

***Change in Net Assets of Governmental Activities*** \$ 765,184

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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 261,486	\$ 263,770	\$ 261,591	\$ (2,179)
Intergovernmental Revenue	625,402	630,862	648,550	17,688
Charges for Services	41,398	41,760	40,162	(1,598)
Licenses and Permits	84,413	85,150	83,414	(1,736)
Investment Earnings	47,584	48,000	47,767	(233)
Fines and Forfeitures	25,849	26,075	25,212	(863)
All Other Revenues	3,668	3,700	4,629	929
Total Revenues	<u>1,089,800</u>	<u>1,099,317</u>	<u>1,111,325</u>	<u>12,008</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,078,037	1,027,849	1,022,846	5,003
Public Health and Welfare	13,748	13,108	12,726	382
General Government	331,603	316,165	276,539	39,626
Total Expenditures	<u>1,423,388</u>	<u>1,357,122</u>	<u>1,312,111</u>	<u>45,011</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(333,588)	(257,805)	(200,786)	57,019
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,200	1,200	1,116	(84)
Transfers In	623,000	623,000	623,000	0
Transfers Out	(282,000)	(282,000)	(282,000)	0
Total Other Financing Sources (Uses):	<u>342,200</u>	<u>342,200</u>	<u>342,116</u>	<u>(84)</u>
Net Change in Fund Balance	8,612	84,395	141,330	56,935
Fund Balance at Beginning of Year	<u>43,859</u>	<u>43,859</u>	<u>43,859</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 52,471</u>	<u>\$ 128,254</u>	<u>\$ 185,189</u>	<u>\$ 56,935</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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,500,000	\$ 1,391,792	\$ 1,391,135	\$ (657)
Total Revenues	1,500,000	1,391,792	1,391,135	(657)
<b>Expenditures:</b>				
Current:				
General Government	254,000	92,109	78,338	13,771
Total Expenditures	254,000	92,109	78,338	13,771
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,246,000	1,299,683	1,312,797	13,114
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,246,000)	(1,246,000)	(1,246,000)	0
Total Other Financing Sources (Uses):	(1,246,000)	(1,246,000)	(1,246,000)	0
Net Change in Fund Balance	0	53,683	66,797	13,114
Fund Balance at Beginning of Year	36,317	36,317	36,317	0
Fund Balance at End of Year	\$ 36,317	\$ 90,000	\$ 103,114	\$ 13,114

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2004**

	Business-Type Activities Enterprise Funds		
	Water	Wastewater	Electric
<b>ASSETS</b>			
Current assets:			
Cash and Cash Equivalents	\$ 226,102	\$ 2,278,164	\$ 1,710,994
Investments	0	0	634,638
Receivables:			
Taxes	0	0	0
Accounts	127,367	226,881	951,601
Intergovernmental	0	259,507	0
Interest	0	683	0
Special Assessments	205,000	230,000	0
Prepaid Items	6,622	6,512	9,007
Total current assets	565,091	3,001,747	3,306,240
Noncurrent assets:			
Investment in Joint Venture	0	0	157,550
Capital Assets, Net	987,501	11,425,525	2,369,832
Total noncurrent assets	987,501	11,425,525	2,527,382
Total assets	1,552,592	14,427,272	5,833,622
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	7,932	270,158	348,829
Accrued Wages and Benefits	22,642	15,521	45,850
Intergovernmental Payable	3,265	846	0
Claims Payable	0	0	0
Due to Other Funds	12,500	12,500	0
Accrued Interest Payable	6,838	74,180	3,983
General Obligation Notes Payable	275,000	5,860,000	350,000
Special Assessment Bond Payable - Current	5,000	5,000	0
Total Current Liabilities	333,177	6,238,205	748,662
Noncurrent Liabilities:			
Special Assessment Bonds Payable	200,000	225,000	0
OWDA Loans Payable	0	7,239,244	0
OPWC Loans Payable	0	291,848	0
Compensated Absences Payable	7,238	4,107	28,033
Total noncurrent liabilities	207,238	7,760,199	28,033
<b>Total Liabilities</b>	540,415	13,998,404	776,695
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	507,501	3,078,433	2,019,832
Unrestricted	504,676	(2,649,565)	3,037,095
Total Net Assets	\$ 1,012,177	\$ 428,868	\$ 5,056,927

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

See accompanying notes to the basic financial statements



**CITY OF COLUMBIANA, OHIO**

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Public Safety Vehicle Service	Total	Governmental Activities - Internal Service Funds
\$ 49,281	\$ 4,264,541	\$ 291,206
0	634,638	0
6,584	6,584	0
59,907	1,365,756	0
1,127	260,634	0
24	707	425
0	435,000	0
5,596	27,737	0
<u>122,519</u>	<u>6,995,597</u>	<u>291,631</u>
0	157,550	0
<u>30,919</u>	<u>14,813,777</u>	<u>0</u>
<u>30,919</u>	<u>14,971,327</u>	<u>0</u>
<u>153,438</u>	<u>21,966,924</u>	<u>291,631</u>
1,565	628,484	0
14,626	98,639	62
0	4,111	0
0	0	118,496
0	25,000	0
0	85,001	0
0	6,485,000	0
0	10,000	0
<u>16,191</u>	<u>7,336,235</u>	<u>118,558</u>
0	425,000	0
0	7,239,244	0
0	291,848	0
1,242	40,620	0
<u>1,242</u>	<u>7,996,712</u>	<u>0</u>
<u>17,433</u>	<u>15,332,947</u>	<u>118,558</u>
30,919	5,636,685	0
105,086	997,292	173,073
<u>\$ 136,005</u>	<u>\$ 6,633,977</u>	<u>\$ 173,073</u>
	<u>111,141</u>	
	<u>\$ 6,745,118</u>	

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2004**

	Business-Type Activities Enterprise Funds		
	Water	Wastewater	Electric
	Water	Wastewater	Electric
<b>Operating Revenues:</b>			
Charges for Services	\$ 764,931	\$ 1,234,757	\$ 5,533,857
Other Operating Revenues	0	0	0
<b>Total Operating Revenues</b>	764,931	1,234,757	5,533,857
<b>Operating Expenses:</b>			
Personal Services	417,193	319,645	779,160
Contractual Services	161,005	168,079	4,126,604
Materials and Supplies	93,916	73,818	78,021
Depreciation	47,889	223,657	238,554
Other Operating Expenses	558	892	685
<b>Total Operating Expenses</b>	720,561	786,091	5,223,024
<b>Operating Income (Loss)</b>	44,370	448,666	310,833
<b>Non-Operating Revenue (Expenses):</b>			
Interest Income	801	28,958	1,201
Interest and Fiscal Charges	(11,669)	(143,352)	(6,269)
Taxes	0	0	0
Income from Joint Venture	0	0	12,817
Sale of Capital Assets	0	1,435	135
Intergovernmental Grants/Loans	26,000	2,039,875	0
Other Nonoperating Revenue	0	0	70,417
Other Nonoperating Expense	0	0	(14,433)
<b>Total Non-Operating Revenues (Expenses)</b>	15,132	1,926,916	63,868
<b>Income (Loss) Before Contributions</b>	59,502	2,375,582	374,701
<b>Contributions:</b>			
Capital Contributions	205,000	230,000	0
<b>Total Contributions</b>	205,000	230,000	0
<b>Change in Net Assets</b>	264,502	2,605,582	374,701
Net Assets Beginning of Year - Restated	747,675	(2,176,714)	4,682,226
<b>Net Assets End of Year</b>	\$ 1,012,177	\$ 428,868	\$ 5,056,927

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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<u>Public Safety Vehicle Service</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 178,910	\$ 7,712,455	\$ 564,032
<u>0</u>	<u>0</u>	<u>102,168</u>
<u>178,910</u>	<u>7,712,455</u>	<u>666,200</u>
229,187	1,745,185	692,855
24,673	4,480,361	11,162
41,260	287,015	0
7,951	518,051	0
<u>3,807</u>	<u>5,942</u>	<u>0</u>
<u>306,878</u>	<u>7,036,554</u>	<u>704,017</u>
(127,968)	675,901	(37,817)
24	30,984	3,817
(1,201)	(162,491)	0
147,721	147,721	0
0	12,817	0
570	2,140	0
35,311	2,101,186	0
858	71,275	0
<u>0</u>	<u>(14,433)</u>	<u>0</u>
<u>183,283</u>	<u>2,189,199</u>	<u>3,817</u>
55,315	2,865,100	(34,000)
<u>0</u>	<u>435,000</u>	<u>0</u>
<u>0</u>	<u>435,000</u>	<u>0</u>
55,315	3,300,100	(34,000)
<u>80,690</u>	<u>3,333,877</u>	<u>207,073</u>
<u>\$ 136,005</u>	<u>\$ 6,633,977</u>	<u>\$ 173,073</u>
	\$ 3,300,100	
	<u>(20,164)</u>	
	<u>\$ 3,279,936</u>	

**CITY OF COLUMBIANA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	Business-Type Activities Enterprise Funds		
	Water	Wastewater	Electric
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$729,860	\$1,176,525	\$5,497,201
Cash Payments for Goods and Services	(252,162)	(247,023)	(4,192,495)
Cash Payments to Employees	(409,405)	(316,017)	(772,093)
Net Cash Provided (Used) by Operating Activities	<u>68,293</u>	<u>613,485</u>	<u>532,613</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
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>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from the Sale of Notes	275,000	6,260,000	350,000
Intergovernmental Grants/Loans	26,000	1,780,368	0
Sale of Bonds	205,000	230,000	0
Sale of Capital Assets	0	1,435	135
OWDA Loan Proceeds	0	6,516,230	0
Note Retirement	(497,500)	(6,572,500)	(450,000)
OWDA Loan Retirement	0	(14,844)	0
Interest and Fiscal Charges	(7,278)	(110,359)	(6,936)
Acquisition and Construction of Assets	(228,260)	(11,335,528)	(347,075)
Net Cash Used for Capital and Related Financing Activities	<u>(227,038)</u>	<u>(3,245,198)</u>	<u>(453,876)</u>
<b>Cash Flows from Investing Activities:</b>			
Receipts of Interest	847	29,986	1,201
Purchase of Investment	<u>0</u>	<u>0</u>	<u>(634,638)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>847</u>	<u>29,986</u>	<u>(633,437)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(157,898)	(2,601,727)	(554,700)
Cash and Cash Equivalents at Beginning of Year	384,000	4,879,891	2,265,694
Cash and Cash Equivalents at End of Year	<u>\$226,102</u>	<u>\$2,278,164</u>	<u>\$1,710,994</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$44,370	\$448,666	\$310,833
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	47,889	223,657	238,554
Non-Operating Revenue	0	0	43,847
Non-Operating Expense	0	0	(14,433)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(35,071)	(58,232)	(80,503)
Increase in Intergovernmental Receivables	0	0	0
(Increase) Decrease in Prepaids	(281)	(189)	1,794
Increase (Decrease) in Accounts Payable	2,326	(3,223)	27,636
Increase in Accrued Wages and Benefits	6,753	3,625	10,704
Increase (Decrease) in Intergovernmental Payable	1,272	(822)	(2,182)
Increase in Claims Payable	0	0	0
Increase (Decrease) in Compensated Absences	1,035	3	(3,637)
Total Adjustments	<u>23,923</u>	<u>164,819</u>	<u>221,780</u>
Net Cash Provided (Used) by Operating Activities	<u>\$68,293</u>	<u>\$613,485</u>	<u>\$532,613</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Public Safety Vehicle Service	Totals	Governmental- Activities Internal Service Fund
\$172,772	\$7,576,358	\$666,200
(68,924)	(4,760,604)	(11,162)
<u>(227,535)</u>	<u>(1,725,050)</u>	<u>(672,644)</u>
<u>(123,687)</u>	<u>1,090,704</u>	<u>(17,606)</u>
<u>155,423</u>	<u>155,423</u>	<u>0</u>
<u>155,423</u>	<u>155,423</u>	<u>0</u>
0	6,885,000	0
35,311	1,841,679	0
0	435,000	0
570	2,140	0
0	6,516,230	0
(40,000)	(7,560,000)	0
0	(14,844)	0
(1,201)	(125,774)	0
0	(11,910,863)	0
<u>(5,320)</u>	<u>(3,931,432)</u>	<u>0</u>
0	32,034	3,392
0	(634,638)	0
<u>0</u>	<u>(602,604)</u>	<u>3,392</u>
26,416	(3,287,909)	(14,214)
22,865	7,552,450	305,420
<u>\$49,281</u>	<u>\$4,264,541</u>	<u>\$291,206</u>
(\$127,968)	\$675,901	(\$37,817)
7,951	518,051	0
858	44,705	0
0	(14,433)	0
(5,869)	(179,675)	0
(1,127)	(1,127)	0
(118)	1,206	0
934	27,673	0
2,821	23,903	16
0	(1,732)	0
0	0	20,195
(1,169)	(3,768)	0
<u>4,281</u>	<u>414,803</u>	<u>20,211</u>
<u>(\$123,687)</u>	<u>\$1,090,704</u>	<u>(\$17,606)</u>

**CITY OF COLUMBIANA, OHIO**

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**Statement of Net Assets**  
**Fiduciary Funds**  
**December 31, 2004**

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	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 23,350
<b>Total Assets</b>	<u>23,350</u>
<b>Liabilities:</b>	
Due to Others	<u>23,350</u>
<b>Total Liabilities</b>	<u>23,350</u>
<b>Total Net Assets</b>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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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 accompanying basic financial statements of the City present the financial position of the various fund types and the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2004 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 14 – "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 14 – "Joint Ventures"

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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

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

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

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

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

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

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

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

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

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

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

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

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



## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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

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

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

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

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

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

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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

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

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

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

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

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2004 but which are not intended to finance 2004 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

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

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

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

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

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

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

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

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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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 2004, 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, 2004***

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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)	\$179,952	\$122,193
Increase (Decrease):		
Accrued Revenues at December 31, 2004 received during 2005	(164,178)	(281,057)
Accrued Revenues at December 31, 2003 received during 2004	137,962	228,025
Accrued Expenditures at December 31, 2004 paid during 2005	57,858	3,297
Accrued Expenditures at December 31, 2003 paid during 2004	(34,661)	(2,675)
2003 Prepays for 2004	49,206	0
2004 Prepays for 2005	(50,318)	0
Outstanding Encumbrances	<u>(34,491)</u>	<u>(2,986)</u>
Budget Basis	<u>\$141,330</u>	<u>\$66,797</u>

**F. Cash and Cash Equivalents**

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

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. See Note 4, "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, 2004***

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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 4, "Cash, Cash Equivalents and Investments."

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

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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

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

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

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

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	30
Improvements other than Buildings	50
Infrastructure	50
Machinery, Equipment, Furniture and Fixtures	10

**J. Long-Term Obligations**

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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

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

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

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

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

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

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

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

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

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

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



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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

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

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

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

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

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

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

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

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items to report during fiscal year 2004.

**CITY OF COLUMBIANA, OHIO**

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

**A. Changes in Accounting Principles**

For the fiscal year ended December 31, 2004, the City has presented for the first time basic financial statement in compliance with Generally Accepted Accounting Principles. As a result of this change, the City’s basis of accounting has changed from the cash basis to the modified accrual basis for the governmental funds, and to the accrual basis for proprietary funds. These accounting changes include recognition of revenue when measurable and available for governmental funds and when earned for proprietary funds and expenditures/expense when incurred. The change from the cash basis of accounting to the modified accrual basis of accounting (governmental funds) and accrual basis of accounting (proprietary funds) had the following affect on fund balances at December 31, 2003:

	Fund Balance Cash Basis of Accounting December 31, 2003	Adjustments to Reflect Change in Basis of Accounting	Restated Fund Balance December 31, 2003
<b>Governmental Funds:</b>			
General	\$43,859	\$177,507	\$221,366
Income Tax	36,317	225,350	261,667
Capital Improvement	275,069	(358,484)	(83,415)
Other Governmental Funds	1,095,611	(55,463)	1,040,148
<b>Total Governmental Funds</b>	<b>1,450,856</b>	<b>(11,090)</b>	<b>1,439,766</b>
<b>Proprietary Funds:</b>			
Water	384,000	363,675	747,675
Wastewater	4,879,891	(7,056,605)	(2,176,714)
Electric	2,265,694	2,416,532	4,682,226
Public Safety Vehicle Service	22,865	57,825	80,690
Self Insurance	305,420	(98,347)	207,073
<b>Total Proprietary Funds</b>	<b>7,857,870</b>	<b>(4,316,920)</b>	<b>3,540,950</b>
<b>Total All Funds</b>	<b>\$9,308,726</b>	<b>(\$4,328,010)</b>	<b>\$4,980,716</b>

In addition, the City has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”; GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”; GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”; GASB Statement No. 41, “*Budgetary Comparison Schedule – Perspective Differences*”; and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*” At December 31, 2003, there was no effect on fund balance as a result of implementing GASB Statements 37 and 38, 41, or Interpretation No. 6.

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2004**

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**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (Continued)**

**A. Changes in Accounting Principles (Continued)**

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2003 caused by the conversion to the accrual basis of accounting.

**B. Restatement of Fund Balance/Retained Earnings**

The changes to the beginning fund balance, as well as the transition from fund balance to net assets of the governmental activities and the business-type activities are as follows:

	<u>General</u>	<u>Income Tax</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance December 31, 2003	\$221,366	\$261,667	(\$83,415)	\$1,040,148	\$1,439,766
GASB 34 Adjustments:					
Long-Term Liabilities					(118,680)
Long-Term (Deferred) Assets					761,667
Capital Assets					1,269,360
Internal Service Fund Allocation					75,768
Net Assets, December 31, 2003					<u>\$3,427,881</u>

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Public Safety Vehicle Service</u>	<u>Total Business-Type Activities</u>
Fund Balance December 31, 2003	\$747,675	(\$2,176,714)	\$4,682,226	\$80,690	\$3,333,877
GASB 34 Adjustments:					
Internal Service Allocation	0	0	0	0	131,305
Net Assets, December 31, 2003	<u>\$747,675</u>	<u>(\$2,176,714)</u>	<u>\$4,682,226</u>	<u>\$80,690</u>	<u>\$3,465,182</u>

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2004***

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#### **NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

The fund deficit at December 31, 2004 of \$23,708 in the Police Pension Fund (special revenue fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit at December 31, 2004 of \$22,766 in the Capital Improvement Fund (capital projects fund) arises from the recognition of notes payable on the modified accrual basis which are not recorded on the budgetary basis, and from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The General Fund provides transfers when cash is required, not when accruals occur.

#### **NOTE 4 - 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, 2004***

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#### **NOTE 4 - 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).

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. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

#### *Deposits:*

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

#### *Investments:*

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

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**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**A. Deposits**

At year end, the carrying amount of the City's deposits was \$6,773,953 and the bank balance was \$6,813,033. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$6,513,033 was uninsured and uncollateralized as defined by the GASB because the collateral pledged by the financial institutions or their trust departments or agents was not in the City's name due to the fact that the pledging bank has an investments and securities pool used to collateralize all public deposits. This method of collateralization is authorized by state statute.

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

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

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

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	\$6,139,315	\$634,638
Certificates of Deposit (with maturities of more than 3 months)	634,638	(634,638)
Per GASB Statement No. 3	<u>\$6,773,953</u>	<u>\$0</u>

**NOTE 5 - 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 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003 the lien date. Assessed values for real property are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed during 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by July 20.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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#### **NOTE 5 - TAXES** (Continued)

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

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

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

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, 2004 was \$4.30 per \$1,000 of assessed value. The assessed value upon which the 2004 levy was based was \$122,585,421. This amount constitutes \$105,496,100 in real property assessed value, \$2,029,760 in public utility assessed value and \$15,059,561 in tangible personal property assessed value.

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

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

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

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

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**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2004 consisted of taxes, accounts receivable, special assessments, interest, and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

**NOTE 7 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2004:

Fund	Transfer In	Transfer Out
General Fund	\$623,000	\$282,000
Income Tax Fund	0	1,246,000
Capital Improvement Fund	623,000	0
Other Governmental Funds	282,000	0
Totals	<u>\$1,528,000</u>	<u>\$1,528,000</u>

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

The following is a summary of interfund loans receivable and payable for all funds for 2004:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$25,000	\$0
Water Fund	0	12,500
Wastewater Fund	0	12,500
Totals	<u>\$25,000</u>	<u>\$25,000</u>



**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2004:

**Historical Cost:**

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<b>Capital assets not being depreciated:</b>				
Land	\$252,020	\$0	\$0	\$252,020
Subtotal	252,020	0	0	252,020
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	\$1,380,186	\$284,415	\$0	\$1,664,601
Improvements Other than Buildings	361,849	0	0	361,849
Machinery and Equipment	1,410,283	363,993	0	1,774,276
Total Cost	<u>\$3,404,338</u>	<u>\$648,408</u>	<u>\$0</u>	<u>\$4,052,746</u>

**Accumulated Depreciation:**

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings and Improvements	(\$707,741)	(\$44,256)	\$0	(\$751,997)
Improvements Other than Buildings	(287,439)	(14,832)	0	(302,271)
Machinery and Equipment	(1,139,798)	(80,919)	0	(1,220,717)
Total Accumulated Depreciation	<u>(\$2,134,978)</u>	<u>(\$140,007) *</u>	<u>\$0</u>	<u>(\$2,274,985)</u>
<b>Net Value:</b>	<u>\$1,269,360</u>			<u>\$1,777,761</u>

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

Security of Persons and Property	\$54,590
Leisure Time Activity	42,739
Public Health and Welfare	5,107
Transportation	18,925
General Government	18,646
Total Depreciation Expense	<u>\$140,007</u>

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 9 - CAPITAL ASSETS (Continued)**

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

Summary by Category at December 31, 2004:

*Historical Cost:*

Class	December 31, 2003	Additions	Deletions	December 31, 2004
<i>Capital assets not being depreciated:</i>				
Land	\$338,980	\$0	\$0	\$338,980
Construction in Progress	0	10,064,528	0	10,064,528
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	570,094	1,880,747	0	2,450,841
Improvements other than Buildings	48,064	0	0	48,064
Machinery and Equipment	4,201,790	112,151	0	4,313,941
Infrastructure	178,214	97,440	0	275,654
Total Cost	<u>\$5,337,142</u>	<u>\$12,154,866</u>	<u>\$0</u>	<u>\$17,492,008</u>

*Accumulated Depreciation:*

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings and Improvements	(\$627,751)	(\$152,200)	\$0	(\$779,951)
Improvements other than Buildings	(11,363)	(4,583)	0	(15,946)
Machinery and Equipment	(1,452,237)	(348,416)	0	(1,800,653)
Infrastructure	(68,829)	(12,852)	0	(81,681)
Total Accumulated Depreciation	<u>(\$2,160,180)</u>	<u>(\$518,051)</u>	<u>\$0</u>	<u>(\$2,678,231)</u>
<i>Net Value:</i>	<u>\$3,176,962</u>	<u>\$11,636,815</u>	<u>\$0</u>	<u>\$14,813,777</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

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

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2004 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2004, 2003 and 2002 were \$259,574, \$257,382 and \$228,620, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll which amounted to \$76,627.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures Ohio PERS’ health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2004*

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#### **NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2004, 2003 and 2002 were \$125,705, \$115,602 and \$102,736, which were equal to the required contributions for each year.

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

The portion of the 2004 covered payroll that was used to fund postemployment health care benefits was \$49,960 representing 7.75% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2004, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

**CITY OF COLUMBIANA, OHIO**

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

**NOTE 11 - NOTES PAYABLE**

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

	Balance December 31, 2003	Issued (Retired)	Balance December 31, 2004
Capital Projects Fund Notes Payable:			
1.500% Street Improvements	\$200,000	(\$200,000)	\$0
1.750% Street Improvements	0	160,000	160,000
1.550% Pumper Fire Truck	180,000	(180,000)	0
2.750% Pumper Fire Truck	0	140,000	140,000
Total Capital Projects Fund Notes Payable	<u>380,000</u>	<u>(80,000)</u>	<u>300,000</u>
Enterprise Fund Note Payable:			
1.500% Water System Improvements	225,000	(225,000)	0
1.450% Sanitary Sewer Improvements	400,000	(400,000)	0
1.700% Route 14&7 Sanitary Sewer Improvements	5,500,000	(5,500,000)	0
2.500% Route 14&7 Sanitary Sewer Improvements	0	5,585,000	5,585,000
1.550% Electric System Improvements	450,000	(450,000)	0
1.700% Electric System Improvements	0	350,000	350,000
1.700% Utility Improvements	545,000	(545,000)	0
2.500% Utility Improvements	0	550,000	550,000
4.000% Vehicle Safety Service	40,000	(40,000)	0
Total Enterprise Fund Notes Payable	<u>7,160,000</u>	<u>(675,000)</u>	<u>6,485,000</u>
 Total Notes Payable	 <u>\$7,540,000</u>	 <u>(\$755,000)</u>	 <u>\$6,785,000</u>

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004**

**NOTE 12 - LONG-TERM OBLIGATIONS**

Activity in Long-Term Obligations in 2004 was as follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2003	Additions	Deductions	Balance December 31, 2004	Amount Due Within One Year
<b>Governmental Activities:</b>							
Tax Anticipation Notes Payable							
5.85%	Park Renovation	2004	\$62,000	\$0	(\$62,000)	\$0	\$0
Compensated Absences			56,383	57,893	(56,383)	57,893	32,707
Total Governmental Activities			118,383	57,893	(118,383)	57,893	32,707
<b>Business-Type Activities:</b>							
Special Assessment Bonds:							
6.00%	Waterline Improvements	2024	0	205,000	0	205,000	5,000
6.00%	Sanitary Sewer Improvements	2024	0	230,000	0	230,000	5,000
Total Special Assessment Bonds			0	435,000	0	435,000	10,000
Ohio Water Development Authority Loans:							
1.83%	Wastewater Treatment Improvements	2006	710,770	6,516,230	0	7,227,000	0
5.89%	Sanitary Sewer Extension	2006	27,088	0	(14,844)	12,244	0
Total Ohio Water Development Authority Loans			737,858	6,516,230	(14,844)	7,239,244	0
Ohio Public Works Commission Loans:							
0.00%	Sanitary Sewer Lines	2024	291,848	0	0	291,848	0
Total Ohio Public Works Commission Loans			291,848	0	0	291,848	0
Compensated Absences			44,388	40,620	(44,388)	40,620	17,191
Total Business-Type Activities			1,074,094	6,991,850	(59,232)	8,006,712	27,191
Total Other Long-Term Obligations			\$1,192,477	\$7,049,743	(\$177,615)	\$8,064,605	\$59,898

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

Years	Special Assessment Bonds		OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$10,000	\$35,453	\$0	\$0	\$0	\$0
2006	15,000	24,426	361,962	129,729	14,592	0
2007	15,000	23,526	361,962	124,155	14,592	0
2008	15,000	22,626	361,962	118,478	14,592	0
2009	20,000	21,726	361,962	112,697	14,592	0
2010-2014	100,000	90,630	1,809,810	472,953	72,960	0
2015-2019	110,000	60,506	1,809,810	311,544	72,960	0
2020-2024	150,000	24,756	2,171,775	138,929	87,560	0
Totals	\$435,000	\$303,649	\$7,239,244	\$1,408,485	\$291,848	\$0

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004***

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**NOTE 13 – 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 2004 the City contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Lindsay and Associates	Auto	\$21,632
Lindsay and Associates	Property	17,065
Lindsay and Associates	General Liability	22,450
Lindsay and Associates	Inland Marine (mobile equipment)	2,702
Lindsay and Associates	Inland Marine (safety)	4,495
Lindsay and Associates	Boiler and Machinery	4,294
Lindsay and Associates	Terrorism	543
Holloway Insurance, Inc.	Law Enforcement Liability	12,244
Holloway Insurance, Inc.	Public Officials Liability	24,000
Holloway Insurance, Inc.	Crime	1,488
Holloway Insurance, Inc.	City Manager Bond	266
Holloway Insurance, Inc.	Ambulance	2,295

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 health, dental, vision and life 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 \$118,496 reported in the fund at December 31, 2004 is based on requirements of GASB No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the claim can be reasonable estimated.

Changes in the Fund's claims liability amount in fiscal year 2004 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>
2004	\$98,301	\$692,839	(\$672,644)	\$118,496

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, 2004***

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#### **NOTE 14 - JOINT VENTURES**

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

***Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1)*** – The City is a participant Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1). Omega JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Inc. (AMP Ohio) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV-1 purchased its electric generating facilities known as the Engle Units, from AMP-Ohio in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's equity interest in OMEGA JV-1 was \$14,041 at December 31, 2004. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio at 2600 Airport Drive, Columbus, Ohio 43219, or from the City's Finance Director.

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004, 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, 2004***

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**NOTE 14 - 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-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$143,509 at December 31, 2004. 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 15 - CONSTRUCTION COMMITMENTS**

The City had the following contractual commitments at December 31, 2004:

<u>Project</u>	<u>Remaining Contractual Commitment</u>	<u>Expected Date of Completion</u>
WWTP Improvements	\$2,588,514	October 2005
14/7 Sanitary Sewer Improvements	538,606	June 2005
Park Walking Trail	175,500	December 2005

**NOTE 16 - 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.

CITY OF COLUMBIANA  
COLUMBIANA COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	<u>Disbursements</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Water and Waste Disposal Systems for Rural Communities	06-02-04810	10.760	\$7,388,227 0
<b>U.S. DEPARTMENT OF ECONOMIC DEVELOPMENT</b>			
<i>Passed Through U.S. Department of Agriculture - Rural Development</i>			
Investments for Public Works and Economic Development Facilities	06-02-04810	11.300	729,951
<b>U.S. DEPARTMENT OF EMERGENCY MANAGEMENT</b>			
<i>Passed Through Ohio Department of Emergency Management</i>			
Disaster Grants - Public Assistance	029-17036-00	97.036	<u>24,990</u>
<b>Total</b>			<b><u>\$8,143,168</u></b>

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

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
YEAR ENDED DECEMBER 31, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

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



# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Columbiana (the "City") as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

### Compliance and Other Matters

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

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

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

**Mary Taylor, CPA**  
Auditor of State

July 1, 2008



# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

### Compliance

We have audited the compliance of City of Columbiana, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Columbiana complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004.

### Internal Control Over Compliance

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

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

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

**Mary Taylor, CPA**  
Auditor of State

July 1, 2008



**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2004**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760, Investments for Public Works and Economic Development Facilities – CFDA #11.300
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

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

None

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	OAC Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America	Yes	Finding No Longer Valid



Mary Taylor, CPA  
Auditor of State

**CITY OF COLUMBIANA**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 22, 2008**