



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Columbiana, Columbiana County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 20, 2002

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$245,642	\$1,274,269	\$78,874	\$64,141		\$1,662,926
Intergovernmental Receipts	346,463	166,005				512,468
Charges for Services	56,042	217,659		2,693		276,394
Fines, Licenses, and Permits	96,232	267				96,499
Earnings on investments	130,110	10,291	2,454	3,719	\$7,619	154,193
Miscellaneous	50	20,172		7,616	10,005	37,843
Total Cash Receipts	874,539	1,688,663	81,328	78,169	17,624	2,740,323
Cash Disbursements:						
Current:						
Security of Persons and Property	834,829	93,310				928,139
Public Health Services	12,355	100,117			15,349	127,821
Leisure Time Activities		255,855				255,855
Transportation		248,875				248,875
General Government	276,171	77,716				353,887
Debt Service:						
Principal Payments			262,000			262,000
Interest Payments			32,814			32,814
Capital Outlay		59,676		740,244	3,628	803,548
Total Cash Disbursements	1,123,355	835,549	294,814	740,244	18,977	3,012,939
Total Receipts Over/(Under) Disbursements	(248,816)	853,114	(213,486)	(662,075)	(1,353)	(272,616)
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes			140,000			140,000
Transfers-In	474,600	222,000	69,000	705,400		1,471,000
Other Financing Receipts	161,126					161,126
Transfers-Out	(409,290)	(1,130,000)				(1,539,290)
Other Financing Disbursements	(161,133)	(64,435)	(1,615)	(874)		(228,057)
Total Other Financing Receipts/(Disbursements)	65,303	(972,435)	207,385	704,526		4,779
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(183,513)	(119,321)	(6,101)	42,451	(1,353)	(267,837)
Fund Cash Balances January 1	284,557	468,888	13,306	742,080	151,499	1,660,330
Fund Cash Balances, December 31	\$101,044	\$349,567	\$7,205	\$784,531	\$150,146	\$1,392,493
Reserves for Encumbrances, December 31	\$67,023	\$23,327		\$159,021		\$249,371

The notes to the financial statements are an integral part of this statement.

VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Agency	
Operating Cash Receipts:					
Charges for Services	\$5,621,361	\$486,333			\$6,107,694
Miscellaneous		8,861			8,861
Total Operating Cash Receipts	<u>5,621,361</u>	<u>495,194</u>			<u>6,116,555</u>
Operating Cash Disbursements:					
Personal Services	1,356,275	384,567			1,740,842
Travel Transportation	21				21
Contractual Services	3,636,047	14,293			3,650,340
Supplies and Materials	213,355				213,355
Capital Outlay	1,394,194				1,394,194
Total Operating Cash Disbursements	<u>6,599,892</u>	<u>398,860</u>			<u>6,998,752</u>
Operating Income/(Loss)	<u>(978,531)</u>	<u>96,334</u>			<u>(882,197)</u>
Non-Operating Cash Receipts:					
Intergovernmental Receipts	143,182				143,182
Proceeds from Notes	1,606,513				1,606,513
Other Non-Operating Cash Receipts	201,259			\$43,299	244,558
Total Non-Operating Cash Receipts	<u>1,950,954</u>			<u>43,299</u>	<u>1,994,253</u>
Non-Operating Cash Disbursements:					
Debt Service	991,176				991,176
Other Non-Operating Cash Disbursements	15,673			42,265	57,938
Total Non-Operating Cash Disbursements	<u>1,006,849</u>			<u>42,265</u>	<u>1,049,114</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(34,426)	96,334		1,034	62,942
Transfers-In	137,290				137,290
Transfers-Out	(69,000)				(69,000)
Net Receipts Over/(Under) Disbursements	33,864	96,334		1,034	131,232
Fund Cash Balances, January 1	1,831,814	226,437	\$4,033	2,456	2,064,740
Fund Cash Balances, December 31	<u>\$1,865,678</u>	<u>\$322,771</u>	<u>\$4,033</u>	<u>\$3,490</u>	<u>\$2,195,972</u>
Reserve for Encumbrances, December 31	<u>\$668,817</u>	<u>\$735</u>			<u>\$669,552</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$225,086	\$1,386,977		\$131,309		\$1,743,372
Intergovernmental Receipts	236,604	167,206		300,000		703,810
Charges for Services	24,118	178,186		2,122		204,426
Fines, Licenses, and Permits	82,243	526				82,769
Earnings on investments	168,215	16,318	\$9,337	4,836	\$9,383	208,089
Miscellaneous	301	9,862		1,607	9,535	21,305
Total Cash Receipts	736,567	1,759,075	9,337	439,874	18,918	2,963,771
Cash Disbursements:						
Current:						
Security of Persons and Property	746,275	87,450				833,725
Public Health Services	10,961	86,808			13,440	111,209
Leisure Time Activities		218,190				218,190
Transportation		187,333				187,333
General Government	275,963	80,889				356,852
Debt Service:						
Principal Payments			260,000			260,000
Interest Payments			10,989			10,989
Capital Outlay	17,298	60,361		1,462,673	4,026	1,544,358
Total Cash Disbursements	1,050,497	721,031	270,989	1,462,673	17,466	3,522,656
Total Receipts Over/(Under) Disbursements	(313,930)	1,038,044	(261,652)	(1,022,799)	1,452	(558,885)
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes			200,000	248,000		448,000
Transfers-In	500,000	190,000	71,000	800,000		1,561,000
Other Financing Receipts	32,835					32,835
Transfers-Out	(240,000)	(1,250,000)				(1,490,000)
Other Financing Disbursements	(33,115)	(39,624)		(2,166)		(74,905)
Total Other Financing Receipts/(Disbursements)	259,720	(1,099,624)	271,000	1,045,834		476,930
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(54,210)	(61,580)	9,348	23,035	1,452	(81,955)
Fund Cash Balances January 1 (Restated - See Note 9)	338,767	530,468	3,958	719,045	150,047	1,742,285
Fund Cash Balances, December 31	\$284,557	\$468,888	\$13,306	\$742,080	\$151,499	\$1,660,330
Reserves for Encumbrances, December 31	\$45,069	\$16,353		\$102,872		\$164,294

The notes to the financial statements are an integral part of this statement.

VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Agency	
Operating Cash Receipts:					
Charges for Services	\$5,259,125	\$495,688			\$5,754,813
Miscellaneous		12,692			12,692
Total Operating Cash Receipts	<u>5,259,125</u>	<u>508,380</u>			<u>5,767,505</u>
Operating Cash Disbursements:					
Personal Services	1,210,890	491,813			1,702,703
Travel Transportation	196				196
Contractual Services	3,323,812	14,008			3,337,820
Supplies and Materials	203,795				203,795
Capital Outlay	814,477				814,477
Total Operating Cash Disbursements	<u>5,553,170</u>	<u>505,821</u>			<u>6,058,991</u>
Operating Income/(Loss)	<u>(294,045)</u>	<u>2,559</u>			<u>(291,486)</u>
Non-Operating Cash Receipts:					
Proceeds from Notes	945,000				945,000
Other Non-Operating Cash Receipts	221,656			\$39,619	261,275
Total Non-Operating Cash Receipts	<u>1,166,656</u>			<u>39,619</u>	<u>1,206,275</u>
Non-Operating Cash Disbursements:					
Debt Service	1,166,052				1,166,052
Other Non-Operating Cash Disbursements	9,320			40,064	49,384
Total Non-Operating Cash Disbursements	<u>1,175,372</u>			<u>40,064</u>	<u>1,215,436</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(302,761)	2,559		(445)	(300,647)
Transfers-Out	(71,000)				(71,000)
Net Receipts Over/(Under) Disbursements	(373,761)	2,559		(445)	(371,647)
Fund Cash Balances January 1 (Restated - See Note 9)	<u>2,205,575</u>	<u>223,878</u>	<u>\$4,033</u>	<u>2,901</u>	<u>2,436,387</u>
Fund Cash Balances, December 31	<u>\$1,831,814</u>	<u>\$226,437</u>	<u>\$4,033</u>	<u>\$2,456</u>	<u>\$2,064,740</u>
Reserve for Encumbrances, December 31	<u>\$318,109</u>	<u>\$170</u>			<u>\$318,279</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity.

The Village of Columbiana, Columbiana County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including street maintenance services, electric, water and sewer utilities, cemetery services, park operations (leisure time activities), and police, ambulance and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Parks and Recreation Fund - This fund receives revenue from user charges and donations for the acquisition, development, maintenance, repair, and operation of parks, playgrounds and recreational programs of the Village.

Income Tax Fund - This fund's receipts are generated from a 1% income tax the Village levies on all salaries, wages, commissions and other compensation, and net profits earned within the Village for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of the Village.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Water Storage Facility Bond Retirement Fund - This fund receives loan proceeds from the sale of notes for the purpose of paying the costs of improving the Village's water storage facilities and necessary appurtenances. This loan will be repaid from water receipts.

Firestone Park Improvement Note Retirement Fund - This fund receives real estate and personal property tax monies from a five year levy to pay for debt obligations of a tax anticipation note. The proceeds of that note were used to pay for capital improvements of the Park.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives income tax money to pay for capital improvements of the Village including, but not limited to, development and construction of storm sewers and street improvements; for public buildings, parks and playgrounds; and for equipment necessary for the police, fire, street, traffic and safety departments.

Park Renovation and Improvement Fund - This fund receives real estate and personal property tax monies from a five year levy to pay for capital improvements of the Firestone Park.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Internal Service Fund

This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost reimbursement basis. The Village had the following significant Internal Service Fund:

Self-Funded Health and Life Insurance Benefit Fund - This fund is used for the purpose of receiving and disbursing monies for the payment of providing health and life insurance benefits for the employees of the Village.

7. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

M. I. Ferrall Trust Fund - This fund's revenues consist of interest earned from the trust fund balance. Interest earnings are transferred to the Cemetery Fund for use in the maintenance and upkeep of the Village cemetery.

Columbiana Cemetery Maintenance Endowment Fund - This fund's revenues consist of donations and interest earnings and are used for the purpose of general cemetery maintenance.

Firestone Cemetery Trust Fund - This fund's revenues consist of donations and interest earnings and are used specifically for the purpose of maintenance, upkeep and repairs to the Firestone family burial plots located within the Village's cemetery.

Mayor's Court - This fund accounts for the operation of the Village of Columbiana's Mayor's Court solely in an agency capacity.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$213,132	\$405,937
Certificates of deposit	<u>3,375,333</u>	<u>3,319,133</u>
Total deposits	<u>\$3,588,465</u>	<u>\$3,725,070</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,520,818	\$ 1,510,265	\$ (10,553)
Special Revenue	1,906,604	1,910,663	4,059
Debt Service	291,500	290,328	(1,172)
Capital Projects	796,000	783,569	(12,431)
Enterprise	13,788,500	7,709,605	(6,078,895)
Internal Service	496,000	495,194	(806)
Fiduciary	19,500	18,503	(997)
Total	<u>\$ 18,818,922</u>	<u>\$ 12,718,127</u>	<u>\$ (6,100,795)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,783,583	\$ 1,760,801	\$ 22,782
Special Revenue	2,279,171	2,053,311	225,860
Debt Service	297,910	296,429	1,481
Capital Projects	1,212,272	900,139	312,133
Enterprise	14,455,820	8,344,558	6,111,262
Internal Service	421,197	399,595	\$ 21,602
Fiduciary	30,700	18,977	\$ 11,723
Total	<u>\$ 20,480,653</u>	<u>\$ 13,773,810</u>	<u>\$ 6,706,843</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,275,033	\$ 1,269,402	\$ (5,631)
Special Revenue	1,968,391	1,949,075	(19,316)
Debt Service	395,000	280,337	(114,663)
Capital Projects	1,359,300	1,487,874	128,574
Enterprise	11,212,000	6,425,781	(4,786,219)
Internal Service	509,000	508,380	(620)
Fiduciary	19,700	18,918	(782)
Total	<u>\$ 16,738,424</u>	<u>\$ 11,939,767</u>	<u>\$ (4,798,657)</u>

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,488,888	\$ 1,368,681	\$ 120,207
Special Revenue	2,259,134	2,027,008	232,126
Debt Service	271,060	270,989	71
Capital Projects	1,479,809	1,567,711	(87,902)
Enterprise	12,331,886	7,117,651	5,214,235
Internal Service	519,790	505,991	13,799
Fiduciary	31,624	17,466	14,158
Total	\$ 18,382,191	\$ 12,875,497	\$ 5,506,694

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

	Principal	Interest Rate
OWDA Loan 3402	\$429,128	5.89%
OWDA Loan 3403	15,537	5.89%
OPWC Note	291,848	0.00%
Tax Anticipation Note, Series 2000	186,000	5.85%
Electric System Improvement Note, Series 2001	350,000	3.85%
Utility Improvement Note, Series 2001	520,000	3.00%
Water Storage Facility Note, Series 2001	140,000	2.55%
Total	\$ 1,932,513	

Proceeds from the Ohio Water Development Authority (OWDA) loan number 3402 relates to the cost of the design phase for the improvement at the wastewater treatment plant. The OWDA approved a loan up to \$625,000 to the Village for this project. The loans will be repaid in equal semiannual installments of \$73,064, including interest, over 5 years. The scheduled payment amount below assumes that \$625,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has pledged sewer receipts for the repayment of the loan. The Village also provided assurances to the OWDA in the event that the project does not proceed through construction, to make repayment by completing property assessment procedures on all accessible properties located within the Village to recover all borrowed planning costs.

Proceeds from the OWDA loan number 3403 relates to the cost of the engineering and planning of a sanitary sewer extension project. The OWDA approved a loan up to \$45,500 to the Village for this project. The loans will be repaid in equal semiannual installments of \$5,319, including interest, over 5 years. The scheduled payment amount below assumes that \$45,500 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The Village has pledged sewer receipts for the repayment of the loan.

The Ohio Public Works Commission (OPWC) promissory note relates to replacement and/or rehabilitation of certain sanitary sewer lines within the Village of Columbiana. The OPWC has approved a loan up to \$342,900 for the project. The loan will be repaid in equal semiannual installments over 20 years. The scheduled payment amount below assumes that \$342,900 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan will be repaid with sewer receipts, and is collateralized by the Village's portion of undivided local government monies.

The Tax Anticipation Notes, dated April 20, 2000, in anticipation of a portion of the proceeds to be received from the collection of an additional ad valorem tax in excess of the ten-mill limitation approved by the electors of the Village at an election held November 2, 1999, during the four year period commencing January 1, 2001 and ending December 31, 2004, for the purpose of renovating and improving the stadium, constructing a walk path on the east side and draining, dredging and resetting mortar stone banks of Mirror Lake at Firestone Recreational Park. Interest on the debt will be repaid semiannually, and principal retirement will be repaid annually.

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

The proceeds of the Electric System Improvement Note, Series 2001 were used to retire outstanding notes, and issued in anticipation of the issuance of bonds for the purpose of improving the municipal electric system by removing damaged switchgear and old distribution lines, installing new switchgear and appurtenances, reconstructing 1.25 miles of distribution line, and acquiring and installing transformers, together with all the necessary appurtenances thereto. The note has a one year maturity date with interest and principal due thereon. The full faith and credit and general property taxing power of the Village are pledged for the timely payment of the debt charges on the note.

The proceeds of the Utility Improvement Note, Series 2001 were used to retire outstanding notes and issued in anticipation of the issuance of bonds for the purpose of paying costs of extending the Village's water distribution system and sewage collection system to serve a newly annexed area of the Village. The note has a one year maturity date with interest and principal due thereon. The full faith and credit and general property taxing power of the Village are pledged for the timely payment of the debt charges on the note.

The proceeds of the Water System Improvement Note, Series 2001 were used to retire outstanding notes, and issued in anticipation of the issuance of bonds, for the purpose of paying costs of improving the Village's water storage facilities and necessary appurtenances. The note has a one year maturity date with interest and principal due thereon. The full faith and credit and general property taxing power of the Village are pledged for the timely payment of the debt charges on the note.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December:	OWDA Loans	OPWC Notes	Tax Antici- pation Note	Electric System Improve- ments Note	Utility Improve- ment Note	Water Storage Facility Note	Total
2002	\$156,765	\$8,573	\$76,508	\$363,475	\$535,600	\$143,570	\$1,284,491
2003	156,765	17,145	76,508				250,418
2004	156,765	17,145	76,508				250,418
2005	156,765	17,145					173,910
2006	156,765	17,145					173,910
Subsequent		265,747					265,747
Total	<u>\$783,825</u>	<u>\$342,900</u>	<u>\$229,524</u>	<u>\$363,475</u>	<u>\$535,600</u>	<u>\$143,570</u>	<u>\$2,398,895</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

Self Insurance

The Village operates a self-funded health and welfare plan that provides health insurance, dental and vision coverage, and life insurance to full-time employees. The Village has entered into an agreement with a third party administrator that provides the Village with a comprehensive range of administrative services regarding their medical claims submitted by person's covered under the health and welfare plan. The Village had accumulated \$322,771 and \$226,437 toward future medical insurance claims as of December 31, 2001 and 2000, respectively. Also, the Village maintains stop-loss coverage with an insurance company of \$20,000 per claim for medical coverage. Any expenses exceeding this threshold are reimbursed by a private carrier.

9. CHANGING METHOD OF REPORTING

In prior years, the Village classified its Utility Improvement Bond Retirement fund and its Utility Improvement Capital Projects fund as a debt service fund type and a capital projects fund type, respectively. However, these funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. As a result, management will report these funds as an enterprise fund type. In addition, the Village classified its Police Pension fund as an agency fund type. However, this fund receives local tax monies supplemented by General fund monies earmarked to pay for retirement benefits. As a result, management will report this fund as a special revenue fund type. The Village's Fund Cash Balances as of December 31, 1999 for the aforementioned funds were: Utility Improvement Bond Retirement fund, \$15,520; Utility Improvement Capital Projects fund, \$64,983; and Police Pension fund, \$5,838. The net effect of these adjustments to the January 1, 2000 Fund Cash Balances are as follows:

**VILLAGE OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

9. CHANGING METHOD OF REPORTING (Continued)

	12/31/1999 Fund Cash Balances	Net effect of Adjustments	1/1/2000 Fund Cash Balances
Special Revenue Funds	\$524,630	\$5,838	\$530,468
Debt Service Funds	19,478	(15,520)	3,958
Capital Projects Funds	784,028	(64,983)	719,045
Enterprise Funds	2,125,072	80,503	2,205,575
Agency Funds	<u>8,739</u>	<u>(5,838)</u>	<u>2,901</u>
Total	<u>\$3,461,947</u>	<u>\$ 0</u>	<u>\$3,461,947</u>

10. SUBSEQUENT EVENTS

Based on mandates from the EPA, the Village may have to spend about \$11 million in the next couple years to update the wastewater treatment plant. The treatment plant currently needs to treat the water at the rate of 1.3 million gallons, but part of the process only allows 900,000 gallons to be treated. When the first phase of the project is completed, the plant will be capable of treating 2.3 million gallons.

The Village has issued \$550,000 in Bond Anticipation Notes for the purpose of improving the Municipal electric system. The Note was issued on May 3, 2002 and will mature on May 1, 2003. The interest rate is 2.55% and will be paid for by utility receipts.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Columbiana, Columbiana County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 20, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 20, 2002.

Village of Columbiana
Columbiana County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 20, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE 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 23, 2002**