



**Auditor of State  
Betty Montgomery**

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**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

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## Auditor of State Betty Montgomery

### 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 City of Columbiana, Columbiana County (the City) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the City'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.

Ohio Administrative Code 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. However, as described in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

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 City of Columbiana, Columbiana County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances 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 30, 2005 on our consideration of the City'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, City 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 30, 2005

**CITY 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, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$273,370	\$1,436,896	\$68,701	\$83,407	\$0	\$1,862,374
Intergovernmental Receipts	454,629	187,223		55,000		696,852
Charges for Services	28,943	185,933		1,940		216,816
Fines, Licenses, and Permits	95,973	406				96,379
Earnings on Investments	52,164	1,797		775	2,376	57,112
Miscellaneous	6,748	6,892	1,275	155	20,868	35,938
<b>Total Cash Receipts</b>	<b>911,827</b>	<b>1,819,147</b>	<b>69,976</b>	<b>141,277</b>	<b>23,244</b>	<b>2,965,471</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,016,468	116,277				1,132,745
Public Health Services	12,726	108,671			14,261	135,658
Leisure Time Activities		244,256				244,256
Transportation		185,527				185,527
General Government	279,959	83,750				363,709
Debt Service:						
Principal Payments			132,000			132,000
Interest Payments			8,595			8,595
Capital Outlay		197,318		1,067,971	2,642	1,267,931
<b>Total Cash Disbursements</b>	<b>1,309,153</b>	<b>935,799</b>	<b>140,595</b>	<b>1,067,971</b>	<b>16,903</b>	<b>3,470,421</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(397,326)</b>	<b>883,348</b>	<b>(70,619)</b>	<b>(926,694)</b>	<b>6,341</b>	<b>(504,950)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Sale of Bonds or Notes				380,000		380,000
Sale of Fixed Assets	6,043					6,043
Transfers-In	605,000	260,000	71,184	650,000		1,586,184
Transfers-Out	(260,000)	(1,210,000)		(45,000)		(1,515,000)
Other Financing Sources	33,315	309		1,182		34,806
Other Financing Uses	(20,686)	(57,749)	(1,177)			(79,612)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>363,672</b>	<b>(1,007,440)</b>	<b>70,007</b>	<b>986,182</b>	<b>0</b>	<b>412,421</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(33,654)	(124,092)	(612)	59,488	6,341	(92,529)
Fund Cash Balances, January 1	75,033	363,129	12,258	938,557	147,893	1,536,870
<b>Fund Cash Balances, December 31</b>	<b>\$41,379</b>	<b>\$239,037</b>	<b>\$11,646</b>	<b>\$998,045</b>	<b>\$154,234</b>	<b>\$1,444,341</b>
Reserves for Encumbrances, December 31	\$8,674	\$32,279	\$0	\$504,725	\$48	\$545,726

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

**CITY 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, 2003**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>					
Charges for Services	\$6,396,909	\$539,938	\$0	\$0	\$6,936,847
Miscellaneous		32,214			32,214
<b>Total Operating Cash Receipts</b>	<b>6,396,909</b>	<b>572,152</b>	<b>0</b>	<b>0</b>	<b>6,969,061</b>
<b>Operating Cash Disbursements:</b>					
Personal Services	1,633,005	657,605			2,290,610
Contractual Services	3,843,010	12,518			3,855,528
Supplies and Materials	215,492				215,492
Capital Outlay	2,031,726				2,031,726
<b>Total Operating Cash Disbursements</b>	<b>7,723,233</b>	<b>670,123</b>	<b>0</b>	<b>0</b>	<b>8,393,356</b>
Operating Income/(Loss)	(1,326,324)	(97,971)	0	0	(1,424,295)
<b>Non-Operating Cash Receipts:</b>					
Intergovernmental Receipts	17,312				17,312
Earnings on Investments	23,677	3,653			27,330
Proceeds from Notes and Bonds	7,160,000				7,160,000
Other Non-Operating Receipts	223,876				223,876
<b>Total Non-Operating Cash Receipts</b>	<b>7,424,865</b>	<b>3,653</b>	<b>0</b>	<b>0</b>	<b>7,428,518</b>
<b>Non-Operating Cash Disbursements:</b>					
Debt Service	1,109,084				1,109,084
<b>Total Non-Operating Cash Disbursements</b>	<b>1,109,084</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,109,084</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	4,989,457	(94,318)	0	0	4,895,139
Transfers-In					0
Transfers-Out	(71,184)				(71,184)
Other Financing Sources	105,000	29		34,549	139,578
Other Financing Uses	(55,102)			(36,907)	(92,009)
<b>Net Receipts Over/(Under) Disbursements</b>	<b>4,968,171</b>	<b>(94,289)</b>	<b>0</b>	<b>(2,358)</b>	<b>4,871,524</b>
Fund Cash Balances, January 1	2,544,280	399,709	4,033	4,838	2,952,860
<b>Fund Cash Balances, December 31</b>	<b>\$7,512,451</b>	<b>\$305,420</b>	<b>\$4,033</b>	<b>\$2,480</b>	<b>\$7,824,384</b>
Reserve for Encumbrances, December 31	\$16,181,259	\$7,810	\$0	\$0	\$16,189,069

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



**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>FUND TYPES/FUNDS</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>GOVERNMENTAL FUND TYPES:</b>			
General Fund	\$1,589,947	\$1,556,185	(\$33,762)
Special Revenue Funds	2,185,318	2,079,456	(105,862)
Debt Service Fund	144,200	141,160	(3,040)
Capital Projects Funds	1,786,424	1,172,459	(613,965)
<b>PROPRIETARY FUND TYPE:</b>			
Enterprise Funds	33,911,000	13,926,774	(19,984,226)
<b>INTERNAL SERVICE FUND TYPE:</b>			
Self-Insurance Health/Life	576,000	575,834	(166)
<b>FIDUCIARY FUND TYPE:</b>			
Expendable Trust Funds	24,300	23,244	(1,056)
Agency Funds	500	34,549	34,049
	<hr/>	<hr/>	<hr/>
Total (Memorandum Only)	<u>\$40,217,689</u>	<u>\$19,509,661</u>	<u>(\$20,708,028)</u>

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

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>FUND TYPES/FUNDS</b>	<b>PRIOR YEAR CARRYOVER APPROPRIATIONS</b>	<b>2003 APPROPRIATIONS</b>	<b>TOTAL</b>
<b>GOVERNMENTAL FUND TYPES:</b>			
General Fund	\$67,779	\$1,596,496	\$1,664,275
Special Revenue Funds	162,447	2,253,232	2,415,679
Debt Service Fund		142,277	142,277
Capital Projects Funds	315,296	2,046,415	2,361,711
<b>PROPRIETARY FUND TYPE:</b>			
Enterprise Funds	454,955	34,086,666	34,541,621
<b>INTERNAL SERVICE FUND TYPE:</b>			
Self-Insurance Health/Life		710,555	710,555
<b>FIDUCIARY FUND TYPE:</b>			
Expendable Trust Funds		24,000	24,000
Agency Funds		5,200	5,200
Total (Memorandum Only)	<u>\$1,000,477</u>	<u>\$40,864,841</u>	<u>\$41,865,318</u>

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

<b>ACTUAL 2003 DISBURSEMENTS</b>	<b>ENCUMBRANCES OUTSTANDING AT 12-31-03</b>	<b>TOTAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
\$1,589,839	\$8,674	\$1,598,513	\$5,985
2,203,548	32,279	2,235,827	105,768
141,772		141,772	316
1,112,971	504,725	1,617,696	690,184
8,958,603	16,181,259	25,139,862	7,302,591
670,123	7,810	677,933	96,578
16,903	48	16,951	15,319
<u>36,907</u>		<u>36,907</u>	<u>(34,502)</u>
<u><u>\$14,730,666</u></u>	<u><u>\$16,734,795</u></u>	<u><u>\$31,465,461</u></u>	<u><u>\$8,182,239</u></u>

**CITY 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, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$263,927	\$1,346,823	\$78,309	\$68,587	\$0	\$1,757,646
Intergovernmental Receipts	446,499	171,624		4,500		622,623
Charges for Services	19,819	213,692		1,540		235,051
Fines, Licenses, and Permits	105,354	265				105,619
Earnings on Investments	69,242	4,120	1,108	1,565	3,320	79,355
Miscellaneous	75	2,228		3,984	8,108	14,395
<b>Total Cash Receipts</b>	<b>904,916</b>	<b>1,738,752</b>	<b>79,417</b>	<b>80,176</b>	<b>11,428</b>	<b>2,814,689</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	867,328	103,268				970,596
Public Health Services	12,355	106,985			12,657	131,997
Leisure Time Activities		251,612				251,612
Transportation		145,466				145,466
General Government	311,625	79,820				391,445
Debt Service:						
Principal Payments			202,000			202,000
Interest Payments			14,401			14,401
Capital Outlay		51,002		604,340	1,024	656,366
<b>Total Cash Disbursements</b>	<b>1,191,308</b>	<b>738,153</b>	<b>216,401</b>	<b>604,340</b>	<b>13,681</b>	<b>2,763,883</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(286,392)</b>	<b>1,000,599</b>	<b>(136,984)</b>	<b>(524,164)</b>	<b>(2,253)</b>	<b>50,806</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Sale of Bonds or Notes			70,000			70,000
Sale of Fixed Assets	1,400	6,100		170		7,670
Transfers-In	490,980	232,000	73,500	703,020		1,499,500
Transfers-Out	(232,000)	(1,169,000)		(25,000)		(1,426,000)
Other Financing Sources	41,108					41,108
Other Financing Uses	(41,108)	(56,136)	(1,463)			(98,707)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>260,380</b>	<b>(987,036)</b>	<b>142,037</b>	<b>678,190</b>	<b>0</b>	<b>93,571</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,012)	13,563	5,053	154,026	(2,253)	144,377
Fund Cash Balances, January 1	101,045	349,566	7,205	784,531	150,146	1,392,493
<b>Fund Cash Balances, December 31</b>	<b>\$75,033</b>	<b>\$363,129</b>	<b>\$12,258</b>	<b>\$938,557</b>	<b>\$147,893</b>	<b>\$1,536,870</b>
Reserves for Encumbrances, December 31	\$67,779	\$162,447	\$0	\$315,296	\$0	\$545,522

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

**CITY 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, 2002**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>					
Charges for Services	\$6,234,658	\$496,546	\$0	\$0	\$6,731,204
Miscellaneous		3,612			3,612
Total Operating Cash Receipts	<u>6,234,658</u>	<u>500,158</u>	<u>0</u>	<u>0</u>	<u>6,734,816</u>
<b>Operating Cash Disbursements:</b>					
Personal Services	1,418,816	409,872			1,828,688
Contractual Services	3,946,560	13,348			3,959,908
Supplies and Materials	213,472				213,472
Capital Outlay	530,220				530,220
Total Operating Cash Disbursements	<u>6,109,068</u>	<u>423,220</u>	<u>0</u>	<u>0</u>	<u>6,532,288</u>
Operating Income/(Loss)	<u>125,590</u>	<u>76,938</u>	<u>0</u>	<u>0</u>	<u>202,528</u>
<b>Non-Operating Cash Receipts:</b>					
Intergovernmental Receipts	3,068				3,068
Earnings on Investments	3,343				3,343
Proceeds from Notes and Bonds	1,286,270				1,286,270
Other Non-Operating Receipts	242,737				242,737
Total Non-Operating Cash Receipts	<u>1,535,418</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,535,418</u>
<b>Non-Operating Cash Disbursements:</b>					
Debt Service	898,988				898,988
Total Non-Operating Cash Disbursements	<u>898,988</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>898,988</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	762,020	76,938	0	0	838,958
Transfers-In					0
Transfers-Out	(73,500)				(73,500)
Other Financing Sources	53			39,450	39,503
Other Financing Uses	(9,970)			(38,102)	(48,072)
Net Receipts Over/(Under) Disbursements	678,603	76,938	0	1,348	756,889
Fund Cash Balances, January 1	<u>1,865,678</u>	<u>322,771</u>	<u>4,033</u>	<u>3,490</u>	<u>2,195,972</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$2,544,281</u></b>	<b><u>\$399,709</u></b>	<b><u>\$4,033</u></b>	<b><u>\$4,838</u></b>	<b><u>\$2,952,861</u></b>
Reserve for Encumbrances, December 31	<u>\$454,955</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$454,955</u>

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

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>FUND TYPES/FUNDS</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>GOVERNMENTAL FUND TYPES:</b>			
General Fund	\$1,445,473	\$1,438,404	(\$7,069)
Special Revenue Funds	1,998,383	1,976,852	(21,531)
Debt Service Fund	227,000	222,917	(4,083)
Capital Projects Funds	1,248,500	783,366	(465,134)
<b>PROPRIETARY FUND TYPE:</b>			
Enterprise Funds	14,263,000	7,770,129	(6,492,871)
<b>INTERNAL SERVICE FUND TYPE:</b>			
Self-Insurance Health/Life	500,000	500,158	158
<b>FIDUCIARY FUND TYPE:</b>			
Expendable Trust Funds	12,000	11,428	(572)
Agency Funds	1,500	39,450	37,950
Total (Memorandum Only)	<u>\$19,695,856</u>	<u>\$12,742,704</u>	<u>(\$6,953,152)</u>

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

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CITY OF COLUMBIANA  
COLUMBIANA COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2002**

FUND TYPES/FUNDS	PRIOR YEAR CARRYOVER APPROPRIATIONS	2002 APPROPRIATIONS	TOTAL
<b>GOVERNMENTAL FUND TYPES:</b>			
General Fund	\$61,076	\$1,477,104	\$1,538,180
Special Revenue Funds	23,326	2,208,178	2,231,504
Debt Service Fund		218,180	218,180
Capital Projects Funds	150,620	1,484,200	1,634,820
<b>PROPRIETARY FUND TYPE:</b>			
Enterprise Funds	661,829	14,187,243	14,849,072
<b>INTERNAL SERVICE FUND TYPE:</b>			
Self-Insurance Health/Life	735	519,063	519,798
<b>FIDUCIARY FUND TYPE:</b>			
Expendable Trust Funds		29,000	29,000
Agency Funds		3,600	3,600
Total (Memorandum Only)	<u>\$897,586</u>	<u>\$20,126,568</u>	<u>\$21,024,154</u>

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



<u>ACTUAL 2002 DISBURSEMENTS</u>	<u>ENCUMBRANCES OUTSTANDING AT 12-31-02</u>	<u>TOTAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
\$1,464,416	\$67,779	\$1,532,195	\$5,985
1,963,289	162,447	2,125,736	105,768
217,864		217,864	316
629,340	315,296	944,636	690,184
7,091,526	454,955	7,546,481	7,302,591
423,220		423,220	96,578
13,681		13,681	15,319
38,102		38,102	(34,502)
<u>\$11,841,438</u>	<u>\$1,000,477</u>	<u>\$12,841,915</u>	<u>\$ 8,182,239</u>

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**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Columbiana, Columbiana County, (the "City") 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 City is directed by a publicly-elected six member Council. The City operates under a Council-Mayor form of government. The Mayor is elected for a four-year term. The six council members serve four year terms. The City provides general government services, including street maintenance services, electric, water and sewer utilities, cemetery services, park operations (leisure time activities), and police, ambulance and fire services. Educational services are provided by the Columbiana Exempted Village School District. The School District is a separate governmental entity and its financial statements are not included in these financial statements.

The City's management believes the financial statements included in this report represent all of the funds over which City officials have the ability to exercise direct operating control.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds, agencies, departments, and offices that are not legally separate from the City. For the City of Columbiana, this includes all City departments and agencies that provide the following services: general government services, including street maintenance services, electric, water and sewer utilities, cemetery services, park operations (leisure time activities), and police, ambulance and fire services. The operation of each of these activities is directly controlled by Council through the budgetary process.

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

The City participates in two joint ventures. They are the Ohio Municipal Electric Generation Agency Joint Venture 5 and the Ohio Municipal Electric Generation Agency Joint Venture 1, respectively. These organizations are presented in Note 8 to the financial statements.

The Columbiana Municipal Court has been included in the City's financial statements as an agency fund. The clerk of courts is a City employee who has fiduciary responsibility for the collection and distribution of the court fees and fines.

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting 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, in accordance with the basis of accounting described in the preceding paragraph.

**C. Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific revenue sources (other than from trusts or for capital projects) that are legally restricted to expenditure for specific purposes.

**3. Debt Service Funds**

These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Capital Project Funds**

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (except those financed through enterprise or trust funds).

**5. Enterprise Funds**

These funds are used to account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

**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 City on a cost reimbursement basis.

**7. Fiduciary Funds (Trust and Agency Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the City 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 City is acting in an agency capacity are classified as agency funds.

**E. Intergovernmental Revenues**

The City receives money from state and county shared taxes, and state grants which are recorded as intergovernmental revenue when received.

**F. Interfund Transactions**

During the course of normal operations, the City has transactions between funds to subsidize operations, make reimbursements and advance monies. Interfund transactions are recorded when transfers and advances are made.

**G. 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 object level of control, and appropriations may not exceed estimated resources. City 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.

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus beginning of the year unencumbered fund cash balances. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

**H. 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.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The City maintains a cash and investments pool all funds use.

**Legal Requirements:** Statutes require the classification of moneys held by the City into three categories. Category 1 consists of "active" moneys, those moneys required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such moneys must be maintained either as cash in the City Treasury or in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current two year period of designation if depositories. Inactive moneys must be deposited or invested only as certificates of deposit maturing not later than the end of the current designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" moneys, those moneys which are not needed for immediate use by which will be needed before the end of the current period of depositories. Interim monies can be invested in the following obligations:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal national Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that they market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this state, as to which there is no default of principal, interest, or coupons; and
3. Obligations of the City.

**Deposits:** At December 31, the carrying amount of the City's deposits was as follows:

	2003	2002
Demand deposits	\$1,199,026	\$1,053,198
Certificates of deposit	8,069,699	3,436,533
Total deposits	9,268,725	4,489,731

1. \$200,000 in 2003 and \$202,427 in 2002 was covered by federal depository insurance.
2. \$9,068,375 in 2003 and \$4,286,909 in 2002 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions.
3. Cash on hand for 2003 was \$350 and cash on hand for 2002 was \$395.

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Advance from General Fund to Utility Imp. Project	\$25,000	0.00%
Tax Anticipation Note	62,000	5.85%
OWDA Note 3403	27,088	5.89%
OPWC Note CN14D	291,848	0.00%
Sanitary Sewer Street Improvement Notes 2003	400,000	1.45%
Electric System Improvement Notes 2003	450,000	1.55%
Street Improvement Notes 2003	200,000	1.50%
14/7 Water Improvement Notes 2003	225,000	1.50%
14/7 Sewer Improvement Notes 2003	5,500,000	1.70%
Utility Improvement Extension Notes 2003	545,000	1.70%
OWDA Note 3952, WWTP Improvements	710,770	1.83%
Vehicle Safety Service Fund Note 2003	40,000	4.00%
Pumper Fire Truck Note 2003	<u>180,000</u>	1.55%
Total	<u><u>\$8,656,706</u></u>	

The General Fund advanced money to the Utility Improvement Fund in 1998. The money was advanced to begin the Route 14/7 improvement project and was used to start the engineering on the project. It was intended to be a short term advance but is still outstanding as of December 31, 2003.

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 approve by the electors of the City 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 at the rate of 5.85% on the debt will be repaid semiannually, and principal retirement will be repaid annually.

Proceeds from the Ohio Water Development Authority (OWDA) loan number 3403 relates to the cost of engineering and planning of a sanitary sewer extension project. The OWDA approved a loan of up to \$45,500 to the City for this project. The loan will be repaid in semi-annual installments of \$5,319, including interest, over 5 years. The scheduled payment amount below assumes the \$45,500 will be borrowed. The City 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 City of Columbiana. The OPWC has approved a loan of up to \$342,900 for the project. However, this loan has been delayed because the City filed a lawsuit against the contractor when the contractor was paid for materials that were not supplied. The City then finished the work themselves. The outstanding balance on the loan is



**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. DEBT (Continued)**

\$291,848 of which will be paid back in annual installments once the City and OPWC come to an agreement over the true balance of the loan. The City has pledged sewer receipts for the repayment of the loan.

The proceeds of the Sanitary Sewer Street Improvement Notes, Series 2003 will be used to pay for the costs of constructing sanitary sewers, together with manholes and service connections and to install and replace paving. The \$400,000 in notes was issued on March 20, 2003 in anticipation of issuing bonds with an interest rate of 1.45%. The City has pledged special assessments for the repayment of the note.

The proceeds of the \$450,000 Electric System Improvement Notes, Series 2003, issued on May 1, 2003, 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 of 1.55% and principal due thereon. The full faith and credit and general property taxing power of the City are pledged for the timely payment of the debt charges on the note.

The proceeds of the \$200,000 Street Improvement Note, Series 2003 were issued on May 20, 2003, in anticipation of the issuance of bonds for the purpose of improving streets in the City by widening, grading, draining, curbing and paving, adding turn lanes and acquiring and installing signs, signals, markings and other devices for traffic control purposes, together with all necessary work incidental thereto. The note has a one year maturity date with interest of 1.5% and principal due thereon. The full faith and credit and general property taxing power of the City are pledged for the timely payment of the debt charges on the note.

The proceeds of the \$225,000 Water System Improvement Notes, Series 2003, issued on July 9, 2003, were used to retire outstanding notes, and issued in anticipation of the issuance of bonds, for the purpose of paying costs of improving State Routes 14 and 7 between certain termini, by constructing water lines, hydrants and valves, and by paving open cuts across roadways, re-grading trenches and replacing driveway approaches all together with the necessary appurtenances. The notes have a one year maturity date with interest of 1.5% and principal due thereon. The full faith and credit and general property taxing power of the City are pledged for the timely payment of the debt charges on the note.

The proceeds of the \$5,500,000 14/7 Sewer Improvement Note, Series 2003, issued on August 12, 2003, were issued in anticipation of the issuance of bonds, for the purpose of paying costs of improving State Routes 14 and 7 between certain termini, by constructing sanitary sewers, force mains and one lift station, and by paving open cuts across roadways, re-grading trenches and replacing driveway approaches, all together with the necessary appurtenances. The note has a one year maturity date with interest of 1.7% and principal due thereon. The full faith and credit and general property taxing power of the City are pledged for the timely payment of the debt charges on the note.

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. DEBT (Continued)**

The proceeds of the \$545,000 Utility Improvements Note, Series 2003, issued on September 4, 2003, were used to retire outstanding notes and issued in anticipation of the issuance of bonds for the purpose of paying costs of extending the City's water distribution system and sewage collection system to serve a newly annexed area of the City. The note has a one year maturity date with interest of 1.7% and principal due thereon. The full faith and credit and general property taxing power of the City are pledged for the timely payment of the debt charges on the note.

Part of the proceeds of the OWDA Note 3952, WWTP Improvements, issued on September 25, 2003, were used to pay off OWDA Note 3402. The project encompasses the construction, maintenance, and operation of a waste water treatment and sewage collection facility. The total loan had been approved at \$7,227,000, with the outstanding balance of the loan at the end of 2003 of \$710,770. The note matures on January 1, 2006, with one balloon payment due on that date. The interest rate on the above loan is 1.83%. The City has pledged sewer receipts for the repayment of the loan.

The proceeds of the \$40,000 Public Safety Vehicle Services Note were issued for the purpose of paying outstanding expenses of the fund. The note, issued on November 5, 2003, has a 5 year maturity date with 4% interest and principal due annually to the Electric fund. A portion of the levy monies for providing ambulance services and emergency medical services are pledged for the timely payment of the debt charges on the note.

The proceeds of the \$180,000 Fire Truck Acquisition Notes, Series 2003, were issued on December 30, 2003, with an interest rate of 1.55%, in anticipation of the issuance of bonds, for the purpose of paying costs of the acquisition of a pumper fire truck, together with all necessary appurtenances. The note has a one year maturity with interest and principal due thereon. An additional property tax within the ten-mill limitation has been 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 31	Tax Anticipation	OWDA Loan #3403	OPWC Loan CN14D	Sanitary Sewer Street Improv.	Electric System Improv.
<b>2004</b>	\$ 65,652	\$ 10,638	\$ 14,592	\$ 405,800	\$ 456,975
<b>2005</b>	0	10,638	14,592	0	0
<b>2006</b>	0	10,638	14,592	0	0
<b>2007</b>	0	10,638	14,592	0	0
<b>2008</b>	0	10,638	14,592	0	0
<b>2009-2013</b>	0	0	72,962	0	0
<b>2014-2018</b>	0	0	72,963	0	0
<b>2019-2023</b>	0	0	72,963	0	0
<b>Total</b>	<b><u>\$ 65,652</u></b>	<b><u>\$ 53,190</u></b>	<b><u>\$ 291,848</u></b>	<b><u>\$ 405,800</u></b>	<b><u>\$ 456,975</u></b>

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. DEBT (Continued)**

Year Ending December 31	Street Improv. Notes	14/7 Water Imp. Notes	14/7 Sewer Imp. Notes	Utility Imp. Extension Notes	OWDA Note #3952
2004	\$ 203,000	\$ 228,375	\$ 5,593,500	\$ 554,265	\$ 0
2005	0	0	0	0	0
2006	0	0	0	0	740,394
2007	0	0	0	0	0
2008	0	0	0	0	0
2009-2013	0	0	0	0	0
2014-2018	0	0	0	0	0
2019-2023	0	0	0	0	0
<b>Total</b>	<b><u>\$ 203,000</u></b>	<b><u>\$ 228,375</u></b>	<b><u>\$ 5,593,500</u></b>	<b><u>\$ 554,265</u></b>	<b><u>\$ 740,394</u></b>

Year Ending December 31	Vehicle Safety Note	Pumper Fire Truck	Totals
2004	\$ 8,320	\$ 182,790	\$ 7,723,907
2005	8,320	0	33,550
2006	8,320	0	773,944
2007	8,320	0	33,550
2008	8,320	0	33,550
2009-2013	0	0	72,962
2014-2018	0	0	72,963
2019-2023	0	0	72,963
<b>Total</b>	<b><u>\$ 41,600</u></b>	<b><u>\$ 182,790</u></b>	<b><u>\$ 8,817,389</u></b>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the City Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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 City.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the City's behalf.

**5. LOCAL INCOME TAX**

The City levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the City as well as certain income of residents earned outside of the City. In the latter case the City allows a credit of ½% of 1% of the tax paid to another municipality to a maximum of the total amount assessed.

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. LOCAL INCOME TAX (Continued)**

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

**6. RISK MANAGEMENT**

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. The City also maintains commercial insurance for errors and omissions.

**Self Insurance**

The City operates a self-funded health and welfare plan that provides health insurance, dental and vision coverage, and life insurance to full-time employees. The City has entered into an agreement with a third party administrator that provides the City with a comprehensive range of administrative services regarding their medical claims submitted by person's covered under the health and welfare plan. The City had accumulated \$305,420 and \$399,709 toward future medical insurance claims as of December 31, 2003 and 2002, respectively. Also, the City maintains stop-loss coverage with an insurance company of \$5,000 per claim for medical coverage. Any expenses exceeding this threshold are reimbursed by a private carrier.

**7. CONTINGENT LIABILITIES**

No significant lawsuits are pending against the City at the time of this report.

**8. JOINT VENTURES**

**A. Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)**

The City is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at Belleville Locks and Dam and received electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio, who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly for those costs incurred by using electricity generated by the joint venture and a portion of the \$153,415,000 Certificates of Beneficial Interest debt that was issued to construct the fixed asset. In accordance with the joint venture agreement, the City remitted \$297,726 to the joint venture in 2003 and \$293,874 in 2002 for electricity. The City's equity interest in JV5 was \$131,033 at December 31, 2003 and \$119,508 at December 31, 2002. Financial information can be obtained from AMP-Ohio, 601 Dempsey Road, Westerville, Ohio 43081, or from the City's utility department.

**CITY OF COLUMBIANA  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**8. JOINT VENTURES (Continued)**

**B. Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1)**

The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV-1). OMEGA JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Ohio, 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. In accordance with the joint venture agreement, the City remitted \$5,606 to the joint venture in 2003 and \$5,273 in 2002 for electricity. OMEGA JV-1 purchased its electric generating facilities know as the Engle Units, from AMP-Ohio in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's equity interest in OMEGA JV-1 was \$13,700 at December 31, 2003, and \$13, 528 at December 31, 2002.

**9. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing OPERS, 277 E. Town St., Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003 and 2002, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2003 and 2002 was 8.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**CITY OF COLUMBIANA  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$257,382, \$228,620, and \$205,037, respectively; 100% has been contributed for 2003, 2002 and 2001. The City and plan members did not make any contributions to the member-directed plan for 2003 or 2002.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of the annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for police for the years ended December 31, 2003, 2002, and 2001 were \$115,602, \$102,736, and \$92,803, respectively. The full amount has been contributed for 2003, 2002, and 2001.

**10. POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for the postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**10. POSTRETIREMENT BENEFIT PLANS (Continued)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 and 2002 which were used to fund postemployment benefits were \$257,382 and \$228,620. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002 (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. 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 full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2003. 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.

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**10. POSTRETIREMENT BENEFIT PLANS (Continued)**

The City's actual contributions for 2003 and 2002 that were used to fund postemployment benefits were \$115,602 and \$102,736 for police. The OP&F's total health care expense for the year ended December 31, 2002 (the latest information available) was \$141,028,066, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002 (the latest information available), was 13,527 for police and 10,396 for firefighters.





## Auditor of State Betty Montgomery

### 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 City of Columbiana, Columbiana County, (the "City") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 30, 2005, which we noted the City prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). 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 in order to express our opinion 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 June 30, 2005, 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, and contracts, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

We intend this report solely for the information and use of the management and City Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

June 30, 2005

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Administrative Code 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. However, the City prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City was fined for noncompliance with this Ohio Administrative Code section for the year ended December 31, 2003.

We recommend that the City prepare their financial statements in accordance with accounting principles generally accepted in the United States of America.





**Auditor of State  
Betty Montgomery**

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800-282-0370  
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**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 18, 2005**