



**Auditor of State
Betty Montgomery**

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Columbiana Exempted Village School District
Columbiana County
700 Columbiana Waterford Road
Columbiana, Ohio 44408

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbiana Exempted Village School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbiana Exempted Village School District, Columbiana County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 to the basic financial statements, the District has been declared to be in fiscal watch under the criteria established by Ohio Revised Code Chapter 118.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Statements*.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

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

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

Betty Montgomery
Auditor of State

March 30, 2005

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The management's discussion and analysis of the Columbiana Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$272,979 which represents a 22.60% decrease from 2003.
- General revenues accounted for \$7,132,103 in revenue or 83.61% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,398,055 or 16.39% of total revenues of \$8,530,158.
- The District had \$8,803,137 in expenses related to governmental activities; \$1,398,055 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,132,103 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and permanent improvement fund. The general fund had \$7,221,525 in revenues and other financing sources and \$7,350,500 in expenditures. During fiscal year 2004, the general fund's fund balance decreased \$128,975 from \$6,215 to a deficit of \$122,760.
- The debt service fund had \$853,648 in revenues and \$849,073 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$4,575 from \$1,072,849 to \$1,077,424.
- The permanent improvement fund had \$524,623 in revenues and \$625,672 in expenditures. During fiscal year 2004, the permanent improvement fund's balance decreased \$101,049 from \$889,675 to \$788,626.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical, prescription, vision and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-51 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	Net Assets
	Governmental Activities <u>2004</u>
<u>Assets</u>	
Current and other assets	\$ 6,526,590
Capital assets	<u>8,679,255</u>
Total assets	<u>15,205,845</u>
<u>Liabilities</u>	
Current liabilities	4,210,808
Long-term liabilities	<u>12,475,633</u>
Total liabilities	<u>16,686,441</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	(1,016,488)
Restricted	1,915,317
Unrestricted (deficit)	<u>(2,379,425)</u>
Total net assets (deficit)	<u>\$ (1,480,596)</u>

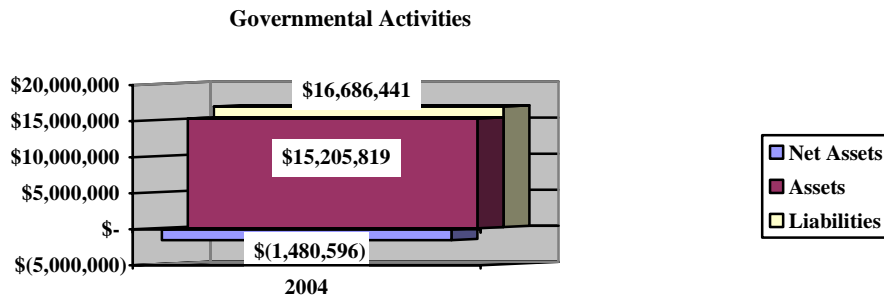
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's liabilities exceeded assets by \$1,480,596.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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At year-end, capital assets represented 57.08% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were (\$1,016,488). These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,915,317, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$2,379,425.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2004
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 835,222
Operating grants and contributions	562,833
General revenues:	
Property taxes	3,229,669
School district income taxes	1,003,663
Grants and entitlements	2,811,394
Investment earnings	82,157
Other	5,220
Total revenues	<u>8,530,158</u>

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 3,830,961
Special	1,131,760
Vocational	132,205
Support services:	
Pupil	341,677
Instructional staff	251,524
Board of education	22,073
Administration	634,175
Fiscal	343,552
Operations and maintenance	676,084
Pupil transportation	295,776
Food service operations	215,348
Extracurricular activities	298,048
Interest and fiscal charges	<u>629,954</u>
Total expenses	<u>8,803,137</u>
Change in net assets	<u>\$ (272,979)</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$272,979. Total governmental expenses of \$8,803,137 were offset by program revenues of \$1,398,055 and general revenues of \$7,132,103. Program revenues supported 15.88% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 82.59% of total governmental revenue.

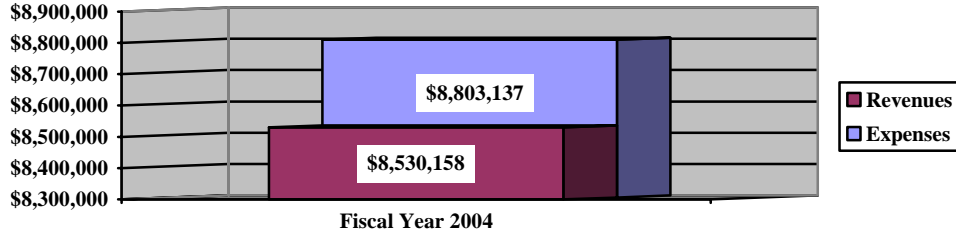
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,094,926 or 57.88% of total governmental expenses for fiscal 2004.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities

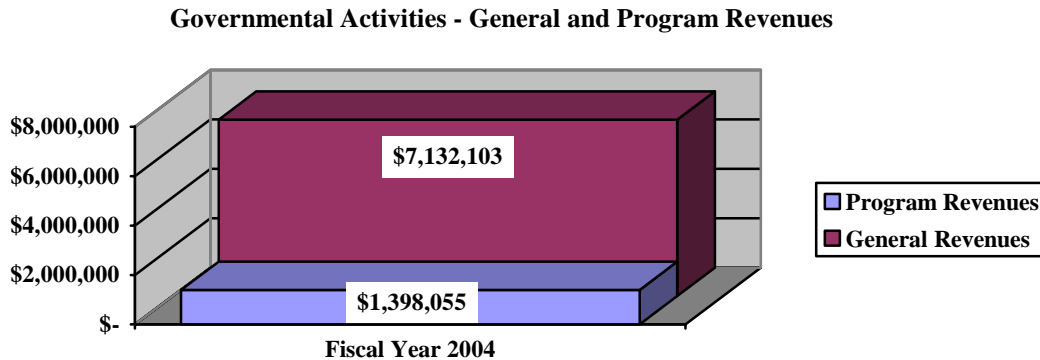
	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Instruction:		
Regular	\$ 3,830,961	\$ 3,094,813
Special	1,131,760	996,158
Vocational	132,205	132,205
Support services:		
Pupil	341,677	321,024
Instructional staff	251,524	248,591
Board of education	22,073	22,073
Administration	634,175	556,029
Fiscal	343,552	322,859
Operations and maintenance	676,084	660,709
Pupil transportation	295,776	290,477
Food service operations	215,348	(6,315)
Extracurricular activities	298,048	136,505
Interest and fiscal charges	629,954	629,954
Total expenses	\$ 8,803,137	\$ 7,405,082

The dependence upon tax and other general revenues for governmental activities is apparent, 82.89% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.12%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,812,066, which is lower than last year's total of \$2,007,323. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ (122,760)	\$ 6,215	\$ (128,975)	(2,075.22) %
Debt Service	1,077,424	1,072,849	4,575	0.43 %
Permanent Improvement	788,626	889,675	(101,049)	(11.36) %
Other Governmental	<u>68,776</u>	<u>38,584</u>	<u>30,192</u>	78.25 %
Total	<u>\$ 1,812,066</u>	<u>\$ 2,007,323</u>	<u>\$ (195,257)</u>	(9.73) %

General Fund

The District's general fund balance decreased \$128,975 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Since the District passed an income tax that was first collected in 2003, several revenue categories were affected. Property tax revenue decreased since the income tax replaced an emergency levy. State revenue was impacted since the District dropped to 20 mills without the emergency levy and the District received only one small payment in fiscal year 2003 for the income tax. The District received GAP Aid for fiscal year 2004 due to these changes. Since income tax revenue was collected for the full fiscal year in 2004, the District was not eligible for GAP Aid, but did qualify for Transitional Aid due to the loss of GAP Aid. The Transitional Aid is one time revenue to offset the loss of GAP Aid. Expenditures for health insurance increased by almost \$200,000 and the District purchased two new buses under a lease purchase agreement. Expenditures exceed revenues for fiscal year 2004 by \$736,262. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,892,374	\$ 3,138,503	\$ 753,871	24.02 %
Tuition	467,835	463,646	4,189	0.90 %
Earnings on investments	24,834	68,586	(43,752)	(63.79) %
Intergovernmental	2,715,533	2,540,935	174,598	6.87 %
Other revenues	<u>19,979</u>	<u>30,698</u>	<u>(10,719)</u>	<u>(34.92) %</u>
Total	<u>\$ 7,120,555</u>	<u>\$ 6,242,368</u>	<u>\$ 878,187</u>	<u>14.07 %</u>
<u>Expenditures</u>				
Instruction	\$ 4,702,657	\$ 4,520,981	\$ 181,676	4.02 %
Support services	2,412,604	2,402,989	9,615	0.40 %
Extracurricular activities	133,719	136,952	(3,233)	(2.36) %
Capital outlay	100,970	52,443	48,527	92.53 %
Debt service	<u>550</u>	<u>-</u>	<u>550</u>	<u>100.00 %</u>
Total	<u>\$ 7,350,500</u>	<u>\$ 7,113,365</u>	<u>\$ 237,135</u>	<u>3.33 %</u>

Other revenues decreased 34.92% from the prior year. This decrease is attributed to a decrease in the amount of gifts, donations and miscellaneous revenues the District received in 2004. The decrease in investment income is due to cuts in interest rates by the Federal Reserve Bank throughout the year. All other revenue remained comparable to 2003. Instruction expenditures increased 4.02% and represented the largest expenditure item of the District. Capital outlay increased 92.53% as the District entered into a capital lease for two school buses.

Debt Service Fund

The debt service fund had \$853,648 in revenues and \$849,073 in expenditures. During fiscal year 2004, the debt service fund's fund balance increased \$4,575 from \$1,072,849 to \$1,077,424.

Permanent Improvement Fund

The permanent improvement fund had \$524,623 in revenues and \$625,672 in expenditures. During fiscal year 2004, the building fund's fund balance decreased \$101,049 from \$889,675 to \$788,626.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,178,658 and final budgeted revenues and other financing sources were \$6,733,640. Actual revenues and other financing sources for fiscal 2004 was \$6,716,709. This represents a \$16,931 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,147,108 were increased to \$7,309,533 in the final appropriations. The actual budget basis expenditures for fiscal year 2004 totaled \$7,298,997, which was \$10,536 less than the final budget appropriations.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$8,679,255 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 177,777	\$ 177,777
Land improvements	-	-
Building and improvements	8,196,272	8,385,072
Furniture and equipment	45,343	36,100
Vehicles	259,863	180,134
Total	\$ 8,679,255	\$ 8,779,083

The overall decrease in capital assets of \$99,828 is due to depreciation expense of \$223,660 exceeding capital outlays of \$123,832 in the fiscal year. The increase in vehicles is due to the purchase of two new buses.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2004, the District had \$11,825,365 in general obligation bonds, tax anticipation notes, energy conservation loans, certificates of participation and capital lease obligations outstanding. Of this total, \$398,963 is due within one year and \$11,426,402 is due within more than one year. The following table summarizes the obligations outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2004	2003
General obligation bonds	\$ 800,000	\$ 890,000
Income tax anticipation notes	512,000	640,000
Energy conservation loan	409,740	443,083
Certificates of participation	10,002,655	10,024,092
Capital lease obligations	100,970	-
Total	\$ 11,825,365	\$ 11,997,175

At June 30, 2004, the District's overall legal debt margin was \$3,011,443 and an unvoted debt margin of \$143,798.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Current Financial Related Activities

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the Columbiana Exempted Village School District is not without its challenges though. Like most public school districts in Ohio, the School District relies on its property taxes, income taxes and state aid to provide the funds necessary to maintain its educational programs.

Expenses have increased by an average of 4.2% over the last 3 years, while revenues have increased by an average of only 1.55%. As a result, the district has been using its carryover balance for the past several years to operate. In November 2002, taxpayers approved a 1% school district income tax that replaced an emergency operating levy that was set to expire the following year. In exchange for passage of the income tax, the Board chose to discontinue collection of the emergency levy one year early. Due to the timing of collections from an income tax versus property taxes, this action, combined with the trend of rising expenses, forced the district to reduce costs. For Fiscal Year 2004, the district trimmed over \$300,000 from its budget in order to balance the budget. Collection of the income tax began in 2003. As the quarterly settlements came in, it was apparent that collections were far below the estimates. For Fiscal Year 2004, collections were over \$300,000 less than what was projected. As a result, the State Superintendent declared the District to be in a state of fiscal caution effective March 26, 2004. Through additional cost cutting and borrowing against the income tax when it passed, the District was able to finish the year with a small balance for Fiscal Year 2004. However, projections for Fiscal Year 2005 showed a large deficit. This projected deficit prompted the Auditor of State to place the District in Fiscal Watch effective June 22, 2004. Costs were reduced for Fiscal Year 2005 through a major staff reduction effected through attrition and reduction in force which resulted in a savings of about 1 million dollars. Currently, projections for Fiscal Year 2005 show a positive balance.

The District believes it can eliminate future deficits through managing costs without seeking approval of additional operating funds from its voters. More than 30% of the teaching staff is currently eligible to retire, so as experienced staff leaves, if replaced, they will be replaced at a much lower cost. The District is at the 20 mill floor for property taxes so it realizes growth in tax revenue after each reappraisal. Also, as new homes are built, the District will realize growth in both property tax revenue and school district income tax revenue. There are some large residential developments under construction currently in the School District.

As a result of the challenges mentioned above, it is imperative that the District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Lori Posey, Treasurer, Columbiana Exempted Village School District, 700 Columbiana-Waterford Road, Columbiana, Ohio 44408.

**BASIC
FINANCIAL STATEMENTS**

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,495,753
Cash with fiscal agent.	28,665
Receivables:	
Taxes	3,985,849
Intergovernmental	10,996
Materials and supplies inventory	5,327
Capital assets:	
Land	177,777
Depreciable capital assets, net	8,501,478
Total capital assets, net.	<u>8,679,255</u>
 Total assets.	 <u>15,205,845</u>
Liabilities:	
Accounts payable.	27,273
Accrued wages and benefits	631,344
Intergovernmental payable	192,956
Deferred revenue	3,243,283
Accrued interest payable	47,642
Claims payable	68,310
Long-term liabilities:	
Due within one year.	530,320
Due within more than one year	11,945,313
 Total liabilities	 <u>16,686,441</u>
Net Assets:	
Invested in capital assets, net of related debt.	(1,016,488)
Restricted for:	
Capital projects	815,189
Debt service.	1,092,402
Other purposes	7,726
Unrestricted (deficit)	<u>(2,379,425)</u>
 Total net assets (deficit)	 <u>\$ (1,480,596)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 3,830,961	\$ 462,536	\$ 273,612	\$ (3,094,813)
Special	1,131,760	-	135,602	(996,158)
Vocational	132,205	-	-	(132,205)
Support services:				
Pupil	341,677	-	20,653	(321,024)
Instructional staff	251,524	-	2,933	(248,591)
Board of education	22,073	-	-	(22,073)
Administration	634,175	72,910	5,236	(556,029)
Fiscal	343,552	-	20,693	(322,859)
Operations and maintenance	676,084	15,375	-	(660,709)
Pupil transportation	295,776	5,299	-	(290,477)
Operation of non-instructional services:				
Food service operations	215,348	117,559	104,104	6,315
Extracurricular activities	298,048	161,543	-	(136,505)
Interest and fiscal charges	629,954	-	-	(629,954)
Total governmental activities	<u>\$ 8,803,137</u>	<u>\$ 835,222</u>	<u>\$ 562,833</u>	<u>(7,405,082)</u>

General Revenues:

Property taxes levied for:	
General purposes	2,550,070
Debt service	248,035
Capital projects	431,564
School district income tax	1,003,663
Grants and entitlements not restricted	
to specific programs	2,811,394
Investment earnings	82,157
Miscellaneous	5,220
Total general revenues	<u>7,132,103</u>
Change in net assets	(272,979)
Net assets (deficit) at beginning of year (restated)	<u>(1,207,617)</u>
Net assets (deficit) at end of year	<u><u>\$ (1,480,596)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Debt Service	Permanent Improvement	Other Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 217,689	\$ 69,662	\$ 788,626	\$ 84,083
Cash with fiscal agent	-	28,665	-	-
Receivables:				
Taxes	3,267,822	260,517	457,510	-
Intergovernmental	-	-	-	10,996
Materials and supplies inventory	-	-	-	5,327
Restricted assets:				
Equity in pooled cash and cash equivalents.	31,833	979,097	-	-
Total assets	<u>\$ 3,517,344</u>	<u>\$ 1,337,941</u>	<u>\$ 1,246,136</u>	<u>\$ 100,406</u>
Liabilities:				
Accounts payable	\$ 20,741	\$ -	\$ -	\$ 6,532
Accrued wages and benefits	614,684	-	-	16,660
Compensated absences payable	113,649	-	-	-
Intergovernmental payable	129,525	-	-	8,438
Deferred revenue.	2,761,505	260,517	457,510	-
Total liabilities	<u>3,640,104</u>	<u>260,517</u>	<u>457,510</u>	<u>31,630</u>
Fund Balances:				
Reserved for encumbrances	8,661	-	-	8,033
Reserved for materials and supplies inventory.	-	-	-	5,327
Reserved for debt service	-	1,077,424	-	-
Reserved for school bus purchase	31,833	-	-	-
Unreserved, undesignated (deficit), reported in:				
General fund	(163,254)	-	-	-
Special revenue funds	-	-	-	55,416
Capital projects funds	-	-	788,626	-
Total fund balances (deficit)	<u>(122,760)</u>	<u>1,077,424</u>	<u>788,626</u>	<u>68,776</u>
Total liabilities and fund balances	<u>\$ 3,517,344</u>	<u>\$ 1,337,941</u>	<u>\$ 1,246,136</u>	<u>\$ 100,406</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total
Governmental
Funds**

\$ 1,160,060
28,665

3,985,849
10,996
5,327

1,010,930
\$ 6,201,827

\$ 27,273
631,344
113,649
137,963
3,479,532

4,389,761

16,694

5,327
1,077,424
31,833

(163,254)
55,416
788,626

1,812,066

\$ 6,201,827

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**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	1,812,066
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			8,679,255
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	236,249	
Total			236,249
An internal service fund is used by management to charge the costs of medical, dental, prescription, vision and life insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			256,453
Long-term liabilities, including bonds, loans, notes and certificates of participation, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		536,619	
Pension obligation payable		54,993	
Capital lease obligation		100,970	
General obligation bonds payable		800,000	
Loans payable		409,740	
Notes payable		512,000	
Certificates of participation		10,002,655	
Accrued interest payable		47,642	
Total			(12,464,619)
Net assets of governmental activities		\$	(1,480,596)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General	Debt Service	Permanent Improvement	Other Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 2,739,543	\$ 258,515	\$ 458,450	\$ -
Income taxes	1,152,831	-	-	-
Intergovernmental	2,715,533	30,304	65,557	564,273
Interest	24,834	57,323	-	-
Extracurricular	-	-	-	204,230
Charges for services	-	-	-	117,559
Tuition and fees	467,835	-	-	-
Rentals	15,375	-	-	19,357
Gifts and donations	723	-	616	10,866
Miscellaneous	3,881	507,506	-	-
Total revenue	<u>7,120,555</u>	<u>853,648</u>	<u>524,623</u>	<u>916,285</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,670,434	-	-	163,603
Special	876,154	-	-	246,155
Vocational	156,069	-	-	-
Support services:				
Pupil	321,208	-	-	20,714
Instructional staff	263,275	-	-	2,910
Board of education	22,073	-	-	-
Administration	619,995	-	-	58,201
Fiscal	319,411	-	-	21,651
Operations and maintenance	588,700	-	-	-
Pupil transportation	277,942	-	-	-
Operation of non-instructional services:				
Food service operations	-	-	-	216,485
Extracurricular activities	133,719	-	-	155,174
Facilities acquisition and construction	-	-	571,454	1,200
Capital outlay	100,970	-	-	-
Debt service:				
Principal retirement	-	323,000	33,343	-
Interest and fiscal charges	550	526,073	20,875	-
Total expenditures	<u>7,350,500</u>	<u>849,073</u>	<u>625,672</u>	<u>886,093</u>
Excess of revenues over (under) expenditures	<u>(229,945)</u>	<u>4,575</u>	<u>(101,049)</u>	<u>30,192</u>
Other financing sources:				
Proceeds of capital lease transaction	100,970	-	-	-
Total other financing sources	<u>100,970</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(128,975)	4,575	(101,049)	30,192
Fund balances at beginning of year (restated)				
	6,215	1,072,849	889,675	38,584
Fund balances (deficit) at end of year	<u>\$ (122,760)</u>	<u>\$ 1,077,424</u>	<u>\$ 788,626</u>	<u>\$ 68,776</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total
Governmental
Funds**

\$ 3,456,508
1,152,831
3,375,667
82,157
204,230
117,559
467,835
34,732
12,205
511,387

9,415,111

3,834,037
1,122,309
156,069

341,922
266,185
22,073
678,196
341,062
588,700
277,942

216,485
288,893
572,654
100,970

356,343
547,498

9,711,338

(296,227)

100,970

100,970

(195,257)

2,007,323

\$ 1,812,066

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	(195,257)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$223,660) exceeds capital outlays (\$123,832) in the current period.		(99,828)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(377,447)
Repayment of bonds, certificates of participation, notes, loans, and capital lease principal (including accreted interest on capital appreciation certificates) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		356,343
Proceeds of capital lease transactions are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(100,970)
In the statement of activities, interest is accrued on outstanding bonds (including accreted interest on capital appreciation certificates), whereas in governmental funds, an interest expenditure is reported when due.		(82,456)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		125,582
The internal service fund used by management to charge the costs of employee health, dental, prescription, vision, and life insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		101,054
Change in net assets of governmental activities	\$	(272,979)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,686,402	\$ 2,739,569	\$ 2,739,543	\$ (26)
Income taxes	774,429	646,514	646,514	-
Intergovernmental	2,525,290	2,715,533	2,715,533	-
Interest	53,000	25,000	24,834	(166)
Tuition and fees	487,544	483,803	467,835	(15,968)
Rentals	18,000	15,500	15,375	(125)
Gifts and donations	3,000	1,000	723	(277)
Miscellaneous	3,000	4,250	3,881	(369)
Total revenue	<u>6,550,665</u>	<u>6,631,169</u>	<u>6,614,238</u>	<u>(16,931)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,580,767	3,655,275	3,648,971	6,304
Special	940,742	881,609	879,845	1,764
Vocational	123,050	125,180	124,924	256
Support services:				
Pupil	327,465	323,834	322,537	1,297
Instructional staff	285,082	271,747	268,358	3,389
Board of education	22,670	22,103	22,078	25
Administration	669,787	601,367	598,998	2,369
Fiscal	334,907	324,884	324,330	554
Operations and maintenance	599,655	594,451	598,172	(3,721)
Pupil transportation	297,739	273,268	275,561	(2,293)
Extracurricular activities	147,800	134,295	133,703	592
Capital outlay	105,000	100,970	100,970	-
Debt service:				
Interest and fiscal charges	-	550	550	-
Total expenditures	<u>7,434,664</u>	<u>7,309,533</u>	<u>7,298,997</u>	<u>10,536</u>
Excess of revenues over (under) expenditures	<u>(883,999)</u>	<u>(678,364)</u>	<u>(684,759)</u>	<u>(6,395)</u>
Other financing sources:				
Advances in	1,501	1,501	1,501	-
Proceeds of capital lease transaction	105,000	100,970	100,970	-
Total other financing sources	<u>106,501</u>	<u>102,471</u>	<u>102,471</u>	<u>-</u>
Net change in fund balance	(777,498)	(575,893)	(582,288)	(6,395)
Fund balance at beginning of year	797,433	797,433	797,433	-
Prior year encumbrances appropriated	13,365	13,365	13,365	-
Fund balance at end of year	<u>\$ 33,300</u>	<u>\$ 234,905</u>	<u>\$ 228,510</u>	<u>\$ (6,395)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 324,763
Total assets	<u>324,763</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>68,310</u>
Total liabilities	<u>68,310</u>
Net assets:	
Unrestricted.	<u>256,453</u>
Total net assets	<u><u>\$ 256,453</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Sales/charges for services	\$ 1,172,311
Total operating revenues	<u>1,172,311</u>
Operating expenses:	
Claims expense	839,859
Purchased services.	<u>231,398</u>
Total operating expenses	<u>1,071,257</u>
Operating income/change in net assets.	101,054
Net assets at beginning of year	<u>155,399</u>
Net assets at end of year.	<u><u>\$ 256,453</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 1,172,311
Cash payments for claims expense.	(845,717)
Cash payments for purchased services.	<u>(231,398)</u>
Net cash provided by operating activities	<u>95,196</u>
Cash and cash equivalents at beginning of year . . .	<u>229,567</u>
Cash and cash equivalents at end of year.	<u><u>\$ 324,763</u></u>
Operating income	\$ 101,054
Changes in assets and liabilities:	
Decrease in claims payable	<u>(5,858)</u>
Net cash provided by operating activities	<u><u>\$ 95,196</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 23,990
Total assets.	<u>\$ 23,990</u>
Liabilities:	
Due to students	<u>23,990</u>
Total liabilities	<u>\$ 23,990</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Columbiana Exempted Village School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District was established in 1890 through the consolidation of existing land areas and school districts. The District serves an area of approximately 18 square miles. It is located in Columbiana and Mahoning Counties, and includes all of the Village of Columbiana and portions of Fairfield, Beaver and Springfield Townships. The District is staffed by 43 non-certificated employees, 71 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,006 students. The District currently operates 3 instructional buildings and 1 bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Columbiana Exempted Village School District Leasing Corporation – During fiscal year 1999, the Columbiana Exempted Village School District Leasing Corporation was formed to issue Certificates of Participation for the purpose of constructing a new high school in accordance with Ohio Revised Code 3313.375. The District will make lease payments to the Corporation for the life of the issuance, after which time it will take ownership of the building. The Leasing Corporation is governed by a three member board appointed by the District. Although the Leasing Corporation is a separate legal entity, the District's financial statements include activity pertaining to the Certificates of Participation since the debt was issued on behalf of the District. The Leasing Corporation has assigned its duties to a Trustee to handle the finances.

JOINTLY GOVERNED ORGANIZATIONS

Columbiana County Career and Technical Center - The Columbiana County Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Columbiana County Career Center, Treasurer, 9364 State Route 45, Lisbon, Ohio 44432.

Area Cooperative Computerized Educational Service System (ACCESS) - The District is a participant in ACCESS which is a computer consortium. ACCESS is an association of public school districts within the boundaries of Columbiana and Mahoning Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. To obtain information, write to ACCESS, 425 West Main Street, Canfield, Ohio 44406.

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBA) as a group purchasing pool.

Each year, the participating school districts pay an enrollment fee to Sheakley Uniserve, Inc. to cover the costs of administering the program.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

RELATED ORGANIZATION

Columbiana Public Library – The Columbiana Public Library is a related organization of the District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library’s operation nor does the Library represent a potential financial benefit for, or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. In May, 2001, a Library Improvement Bond Issue in the amount of 1.03 mills was passed by the voters. The tax monies from that levy come to the District with which the bonded debt is paid. The final payment on the bonds is June 1, 2011.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District’s major governmental funds:

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and note principal, interest and related costs.

Permanent Improvement Fund - The Permanent Improvement capital projects fund is used to account for all transactions related to acquiring, constructing, or improving capital facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities, (b) for grants and other resources whose use is restricted to a particular purpose and (c) for food service operations.

PROPRIETARY FUND

Proprietary funds are used to account for the District’s ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District’s internal service fund:

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Internal Service Fund - The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides health benefits to employees.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for services for employee insurance premiums. Operating expenses for internal service funds include claims payments and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The trustee accounts set up in accordance with the issuance of the certificates of participation are not part of the entity for which the "appropriated budget" is adopted. The legal level of budgetary control is fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures for the general fund, debt service fund and building capital projects fund,, which are the legal level of budgetary controls. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total of any level of control. Any revisions that alter the total object appropriations within a fund (for general, debt service, and Permanent Improvement capital projects fund), or the total of any fund appropriation (for all other funds) must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Cash with fiscal agents represents amounts held by a trustee in accordance with the agreement for the issuance of the Certificates of Participation (COPS).

During fiscal year 2004, investments were limited to federal agency securities, State Treasury Asset Reserve of Ohio (STAR Ohio), and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$24,834, which includes \$20,861 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$5,000. The change in capitalization policy was a result of differences in asset costs between the time that the previous policy was adopted and the current fiscal year and due to a perceived lack of future economic benefit to be derived from deferring the costs of smaller capital assets (see note 8). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 10 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets. The District had no internal balances at fiscal year-end.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, school bus purchase and debt service.

M. Net Assets

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

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

N. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses. Restricted assets in the debt service fund include monies set-aside to satisfy requirements in the trustee agreement for the issuance of the certificates of participation (COPs). These amounts are restricted for the last principal payment on the COPs.

P. Interfund Activity

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

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity".

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The fund reclassifications, and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ (2,064)	\$ 1,072,849	\$ 889,675	\$ 34,386	\$ 1,994,846
Fund reclassifications	-	-	-	4,198	4,198
GASB Interpretation No. 6	<u>8,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,279</u>
Restated fund balance, June 30, 2003	<u>\$ 6,215</u>	<u>\$ 1,072,849</u>	<u>\$ 889,675</u>	<u>\$ 38,584</u>	<u>\$ 2,007,323</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 2,007,323
GASB 34 adjustments:	
Long-term (deferred) assets	613,696
Capital assets	8,779,083
Pension obligation	(61,106)
Long-term liabilities	(12,653,263)
Accrued interest payable	(48,749)
Internal service fund	<u>155,399</u>
Governmental activities net assets, June 30, 2003	<u>\$ (1,207,617)</u>

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Fund</u>	
General Fund	\$ 122,760
<u>Nonmajor Funds</u>	
Title I	775
Title II-A	1,283

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

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

Cash on Hand: At fiscal year-end, the District had \$2,050 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pool Cash and Cash Equivalents."

Cash with Fiscal Agent: At fiscal year-end, the District had \$28,665 in cash and cash equivalents held by a trustee in accordance with the agreement for the issuance of the certificates of participation (COPs). This amount is included on the balance sheet as "Cash with Fiscal Agent".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$976,145 and the bank balance was \$33,441. The entire bank balance was covered by federal depository insurance. Money is credited to the checking account from a sweep investment account that is linked to those accounts as checks are presented. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

	<u>Category 1</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Federal agency securities	\$ 978,361	\$ -	\$ 978,361	\$ 978,361
Repurchase agreements	-	582,000	582,000	582,000
STAR Ohio	-	-	9,852	9,852
 Total investments	 <u>\$ 978,361</u>	 <u>\$ 582,000</u>	 <u>\$ 1,570,213</u>	 <u>\$ 1,570,213</u>

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,548,408	\$ -
Investments of the cash management pool:		
Federal agency securities	(978,361)	978,361
Repurchase agreement	(582,000)	582,000
STAR Ohio	(9,852)	9,852
Cash on hand	(2,050)	-
GASB Statement No. 3	\$ 976,145	\$ 1,570,213

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 5 - PROPERTY TAXES - (Continued)

The District receives property taxes from Columbiana and Mahoning Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. There were no amounts available as an advance at June 30, 2004 and at June 30, 2003.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<u>2003 Second Half Collections</u>		<u>2004 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 116,711,480	83.51%	\$ 121,877,490	84.76%
Public utility personal	4,758,680	3.40%	4,864,710	3.38%
Tangible personal property	<u>18,289,610</u>	<u>13.09%</u>	<u>17,055,460</u>	<u>11.86%</u>
Total	<u>\$ 139,759,770</u>	<u>100.00%</u>	<u>\$ 143,797,660</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$34.53		\$34.53

NOTE 6 - SCHOOL DISTRICT INCOME TAX

The District has authorized, through voter approval, an annual school district income tax levied on the school district income of individuals and estates. The tax is to be used for normal operating expenses of the District, and is credited to the general fund. Total income tax revenue during fiscal year 2004 was \$1,152,831.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 3,985,849	
Intergovernmental	10,996	
Total	\$ 3,996,845	

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to fund reclassifications, changes in the District's capital asset policy (see Note 2.H.) and to include the depreciation of capital assets in accordance with GASB Statement No. 34:

	Balance <u>06/30/03</u>	<u>Adjustments</u>	Restated Balance <u>07/01/03</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 212,630	\$ (34,853)	\$ 177,777
Total capital assets, not being depreciated	<u>212,630</u>	<u>(34,853)</u>	<u>177,777</u>
Capital assets, being depreciated:			
Land improvements	49,411	-	49,411
Buildings and improvements	10,274,603	105,595	10,380,198
Furniture and equipment	1,649,049	(1,472,796)	176,253
Vehicles	411,240	(71,318)	339,922
Total capital assets, being depreciated	<u>12,384,303</u>	<u>(1,438,519)</u>	<u>10,945,784</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(2,344,478)</u>	<u>(2,344,478)</u>
Governmental activities capital assets, net	<u>\$ 12,596,933</u>	<u>\$ (3,817,850)</u>	<u>\$ 8,779,083</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance <u>07/01/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 177,777	\$ -	\$ -	\$ 177,777
Total capital assets, not being depreciated	<u>177,777</u>	<u>-</u>	<u>-</u>	<u>177,777</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	49,411	-	-	49,411
Buildings and improvements	10,380,198	8,183	-	10,388,381
Furniture and equipment	176,253	14,679	(10,336)	180,596
Vehicles	<u>339,922</u>	<u>100,970</u>	<u>(74,880)</u>	<u>366,012</u>
Total capital assets, being depreciated	<u>10,945,784</u>	<u>123,832</u>	<u>(85,216)</u>	<u>10,984,400</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(49,411)	-	-	(49,411)
Buildings and improvements	(1,995,126)	(196,983)	-	(2,192,109)
Furniture and equipment	(140,153)	(5,436)	10,336	(135,253)
Vehicles	<u>(159,788)</u>	<u>(21,241)</u>	<u>74,880</u>	<u>(106,149)</u>
Total accumulated depreciation	<u>(2,344,478)</u>	<u>(223,660)</u>	<u>85,216</u>	<u>(2,482,922)</u>
Governmental activities capital assets, net	<u>\$ 8,779,083</u>	<u>\$ (99,828)</u>	<u>\$ -</u>	<u>\$ 8,679,255</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 115,956
Special	5,959

Support Services:

Pupil	5,436
Instructional staff	7,889
Administration	1,889
Fiscal	1,548
Operations and maintenance	47,922
Pupil transportation	21,241
Extracurricular activities	9,287
Food service operations	<u>6,533</u>
Total depreciation expense	<u>\$ 223,660</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In the current year, the District entered into capitalized leases for two school buses. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of vehicles have been capitalized in the amount of \$100,970. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. The District did not make any principal payments in fiscal year 2004.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2005	\$ 9,764
2006	11,585
2007	12,332
2008	12,036
2009	11,717
2010 - 2014	58,831
2015	<u>11,368</u>
Total minimum lease payments	127,633
Less amount representing interest	<u>(26,663)</u>
Total	<u>\$ 100,970</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A.. The balance of the District’s governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased from \$584,152 to \$656,088 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$55,250 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was an increase of \$16,686 from \$12,636,577 to \$12,653,263. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	Restated Balance Outstanding <u>07/01/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Income tax anticipation notes	\$ 640,000	\$ -	\$ (128,000)	\$ 512,000	\$ 128,000
Library bonds	890,000	-	(90,000)	800,000	90,000
Energy conservation loan	443,083	-	(33,343)	409,740	34,963
Certificate of participation	10,024,092	83,563	(105,000)	10,002,655	140,000
Capital lease obligation	-	100,970	-	100,970	6,000
Compensated absences	<u>656,088</u>	<u>78,131</u>	<u>(83,951)</u>	<u>650,268</u>	<u>131,357</u>
Total long-term obligations, governmental activities	<u>\$ 12,653,263</u>	<u>\$ 262,664</u>	<u>\$ (440,294)</u>	<u>\$ 12,475,633</u>	<u>\$ 530,320</u>

Compensated absences will be paid from the fund from which the employee is paid. The capital lease obligation is further described in Note 9. All other long-term liabilities are described below.

- B. Income Tax Anticipation Notes** - On December 11, 2002, the District issued \$640,000 in tax anticipation notes due to the passage of a 1% income tax, effective January 1, 2003. These notes will be paid from resources in the debt service fund.

The following is a summary of future debt service requirements to maturity for the income tax anticipation notes:

Fiscal <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 128,000	\$ 14,336	\$ 142,336
2006	128,000	10,752	138,752
2007	128,000	7,168	135,168
2008	<u>128,000</u>	<u>3,584</u>	<u>131,584</u>
Total	<u>\$ 512,000</u>	<u>\$ 35,840</u>	<u>\$ 547,840</u>

- C. Library Bond** - On August 15, 2001, the District issued \$1,000,000 in bonds on behalf of the Columbiana Public Library. These bonds mature on June 1, 2011 and bear an interest rate of 4.95%. These bonds will be paid from the property tax revenue in the debt service fund. See Note 2.A. for further information.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of future debt service requirements to maturity for the library bonds:

Fiscal <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 90,000	\$ 38,486	\$ 128,486
2006	100,000	33,908	133,908
2007	110,000	28,834	138,834
2008	115,000	23,389	138,389
2009	120,000	17,573	137,573
2010 - 2013	<u>265,000</u>	<u>16,954</u>	<u>281,954</u>
Total	<u>\$ 800,000</u>	<u>\$ 159,144</u>	<u>\$ 959,144</u>

- D. Energy Conservation Loan** - On December 17, 1998, the District issued \$576,217 in an unvoted general obligation loan for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.05(G) and 3313.372. The loan was issued for a fifteen year period with final maturity on December 1, 2013. This loan bears an interest rate of 4.8% and will be paid from resources in the debt service fund.

The following is a summary of future debt service requirements to maturity for the energy conservation loan:

Fiscal <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 34,963	\$ 19,253	\$ 54,216
2006	36,661	17,555	54,216
2007	38,442	15,774	54,216
2008	40,310	13,906	54,216
2009	42,268	11,948	54,216
2010 - 2014	<u>217,096</u>	<u>26,874</u>	<u>243,970</u>
Total	<u>\$ 409,740</u>	<u>\$ 105,310</u>	<u>\$ 515,050</u>

- E. Certificates of Participation** - In fiscal year 1999, the District entered into a lease agreement with the Columbiana EVSD Leasing Corporation for a new high school. The lease is an annual lease subject to renewal for twenty-three years through December 1, 2022. The certificates bear interest rates ranging from 3.50% to 5.15%.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The Leasing Corporation entered an agreement with a trustee through which it assigned and transferred rights and interest under the lease to Huntington National Bank as Trustee. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance are mainly being used to construct a new high school. In addition, terms of the trust indenture require a portion of the proceeds to be set aside for current and future certificate payments. The current certificate payment account is used to account for resources accumulated for payment over the next twelve months. The reserve account is used solely to make rent payments if a deficiency exists in the current certificate payment account and, if all payments are current, to make payment of the last certificate payments.

Certificates maturing December 1 in the years from and including 2010 to and including 2014 are Capital Appreciation Certificates. These are securities that are purchased at a discount at the time of issuance and, at maturity, all compound interest is paid and the holder of the certificate collects the face value. However, since interest is technically earned and compounded semiannually, the value of the certificate increases. Therefore, as the value increases, the accretion is booked as principal. The accretion amount for fiscal year 2004 is \$83,563.

The obligation of the District under the lease and any subsequent lease renewal is subject to annual appropriation of the rental payments. Legal title to the facilities remains with the Leasing Corporation until all payments required under the lease have been made. At that time, title will transfer to the District.

The liability for the Certificates is recorded in the governmental activities long-term obligations with the annual principal and interest requirements payable from resources from the debt service fund. The Certificates of Participation are not a general obligation of the District but are payable only from appropriations by the District for annual lease payments.

The following is a schedule of activity for fiscal year 2004 on the 1999 Certificates of Participation:

	Balance Outstanding <u>07/01/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
Current interest certificates	\$ 8,290,000	\$ -	\$ (105,000)	\$ 8,185,000	\$ 140,000
Capital appreciation certificates	<u>1,734,092</u>	<u>83,563</u>	<u>-</u>	<u>1,817,655</u>	<u>-</u>
Total	<u>\$ 10,024,092</u>	<u>\$ 83,563</u>	<u>\$ (105,000)</u>	<u>\$ 10,002,655</u>	<u>\$ 140,000</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future annual requirements to maturity for the certificates of participation:

Fiscal Year Ending	Current Interest Certificates			Capital Appreciation Certificates		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 140,000	\$ 397,721	\$ 537,721	\$ -	\$ -	\$ -
2006	240,000	390,095	630,095	-	-	-
2007	280,000	379,426	659,426	-	-	-
2008	320,000	366,896	686,896	-	-	-
2009	390,000	351,888	741,888	-	-	-
2010 - 2014	435,000	334,248	769,248	1,121,623	973,377	2,095,000
2015 - 2019	2,865,000	1,019,432	3,884,432	288,151	331,849	620,000
2020 - 2024	<u>3,515,000</u>	<u>373,872</u>	<u>3,888,872</u>	-	-	-
Total	<u>\$ 8,185,000</u>	<u>\$ 3,613,578</u>	<u>\$ 11,798,578</u>	<u>\$ 1,409,774</u>	<u>\$ 1,305,226</u>	<u>\$ 2,715,000</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$3,011,443 and an unvoted debt margin of \$143,798.

NOTE 11 - RISK MANAGEMENT

- A. The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with Cincinnati Insurance Company for property, inland marine, and boiler/machinery coverage and with the Ohio School Plan for fleet insurance and liability insurance. Coverage is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$16,902,211
Inland Marine Coverage (\$100 deductible)	75,000
Schedule Property (\$250 deductible)	695,647
Crime Insurance	5,000
Automobile Liability (\$0 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Commercial Umbrella Liability Policy	2,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Medical, Dental, Prescription, Vision and Life Insurance Benefits

Medical/surgical, prescription, vision and dental insurance are offered to employees through a self-insurance internal service fund. The District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with no deductible for certificated staff and a medical/surgical plan with \$200 family and \$100 single deductible for classified staff. Certificated staff members contribute \$45.91 per month for family coverage and \$26.50 per month for single coverage. A third party administrator, Benefit Services, Inc., reviews all claims which are then paid by the District. The District purchases stop-loss coverage of \$25,000 per employee. The District pays into the self-insurance internal service fund \$1,015 family coverage or \$461 individual coverage per month for all personnel which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. The District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The District also provides prescription drug, vision and dental insurance to its employees through this self-insured program, the premiums of which are included in the above amounts. This plan utilized a \$10brand/\$3 generic prescription deductible for all personnel.

The claims liability of \$68,310 reported in the internal service fund at June 30, 2004, is based on a review of claims processed during the months of July and August, 2004 and determining those claims with service dates prior to June 30, 2004, and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expense and does not include allocated or unallocated claims adjustment expenses.

Changes in the fund's claim liability amount for fiscal years 2004 and 2003 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Stop Loss Reimbursement</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2004	\$ 74,168	\$ 839,859	\$ -	\$ 845,717	\$ 68,310
2003	33,611	724,358	-	683,801	74,168

C. Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 11 - RISK MANAGEMENT - (Continued)

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of The Sheakley Group of Companies provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2004, 9.09% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$74,238, \$66,982, and \$43,112, respectively; 47.09% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$465,387, \$438,097, \$328,862, respectively; 78.11% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$707 made by the District and \$4,679 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, all members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$35,799 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$86,243 during the 2004 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (582,288)
Net adjustment for revenue accruals	506,317
Net adjustment for expenditure accruals	(72,514)
Net adjustment for other sources/uses	(1,501)
Adjustment for encumbrances	21,011
GAAP basis	\$ (128,975)

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 16 - STATUTORY RESERVES

The District is required by state statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition, construction and maintenance of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - STATUTORY RESERVES - (Continued)

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by state statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ (148,585)	\$ -
Current year set-aside requirement	138,045	138,045
Current year offsets	-	(522,364)
Qualifying disbursements	<u>(83,209)</u>	<u>(16,868)</u>
 Total	 <u>\$ (93,749)</u>	 <u>\$ (401,187)</u>
 Cash balance carried forward to FY 2005	 <u>\$ (93,479)</u>	 <u>\$ -</u>

The District's carried forward balance and current year disbursements reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future years. Although the District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The District has also set-aside \$31,833 for the purchase of school buses.

NOTE 17 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for all personnel. Upon retirement, payment is made according to negotiated agreements.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life of Canada.

NOTE 18 – FISCAL WATCH

On June 22, 2004, the School District was declared to be in a state of "Fiscal Watch" by the Auditor of State under section 3316.03(A), Revised Code because the School District failed to submit a proposal that would eliminate the deficits for the current and next fiscal year to the Department of Education.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Columbiana Exempted Village School District
Columbiana County
700 Columbiana Waterford Road
Columbiana, Ohio 44408

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Columbiana Exempted Village School District, Columbiana County (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 30, 2005. 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 District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and materially affect 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 we must report under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of Columbiana Exempted Village School District in a separate letter dated March 30, 2005.

This report is intended solely for the information and use of the audit committee, management and the Board of Education, 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

March 30, 2005

SCHEDULE OF FINDINGS

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2004**

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

NONE



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT

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
MAY 12, 2005**