



Mary Taylor, CPA
Auditor of State

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	13
Statement of Activities.....	14
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	19
Statement of Net Assets – Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund.....	21
Statement of Cash Flows – Proprietary Fund.....	22
Statement of Fiduciary Net Assets – Fiduciary Fund.....	23
Notes to the Basic Financial Statements	24
Schedule of Federal Awards Expenditures.....	53
Notes to the Schedule of Federal Awards Expenditures	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	57
Schedule of Findings.....	59

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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, 2006, 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbiana Exempted Village School District, Columbiana County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

March 15, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities increased \$735,422 which represents a 135.87% increase from 2005.
- General revenues accounted for \$8,045,121 in revenue or 82.89% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,660,714 or 17.11% of total revenues of \$9,705,835.
- The District had \$8,970,413 in expenses related to governmental activities; \$1,660,714 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,045,121 were 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 \$7,650,086 in revenues and \$6,789,414 in expenditures. During fiscal year 2006, the general fund's fund balance increased \$860,672 from \$283,990 to a balance of \$1,144,662.
- The debt service fund had \$953,626 in revenues and \$907,985 in expenditures. During fiscal year 2006, the debt service fund's fund balance increased \$45,641 from \$1,116,382 to \$1,162,023.
- The permanent improvement fund had \$621,443 in revenues and \$838,299 in expenditures. During fiscal year 2006, the permanent improvement fund's balance decreased \$216,856 from \$727,199 to \$510,343.

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, 2006
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 2006?" 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, 2006
UNAUDITED

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 24-52 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 8,213,460	\$ 7,510,246
Capital assets	<u>8,250,431</u>	<u>8,453,728</u>
Total assets	<u>16,463,891</u>	<u>15,963,974</u>
<u>Liabilities</u>		
Current liabilities	4,515,278	4,395,195
Long-term liabilities	<u>11,754,443</u>	<u>12,110,031</u>
Total liabilities	<u>16,269,721</u>	<u>16,505,226</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	(1,051,312)	(1,096,015)
Restricted	1,765,848	1,949,092
Unrestricted (deficit)	<u>(520,366)</u>	<u>(1,394,329)</u>
Total net assets (deficit)	<u>\$ 194,170</u>	<u>\$ (541,252)</u>

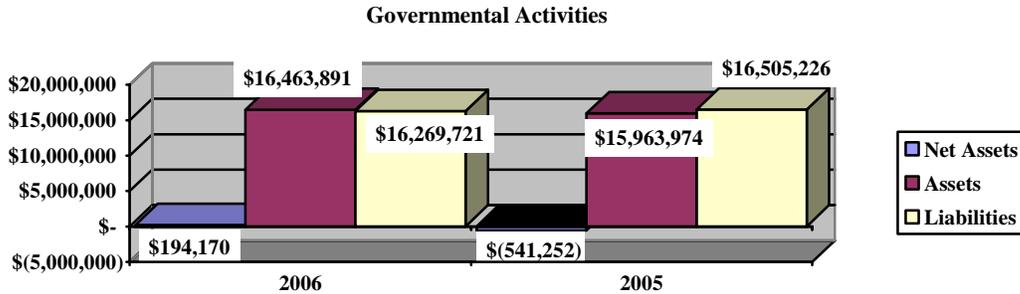
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$194,170.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

At year-end, capital assets represented 50.11% 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, 2006, were (\$1,051,312). 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, \$1,765,848, 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 \$520,366.



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Revenues		
Program revenues:		
Charges for services and sales	\$ 942,834	\$ 872,291
Operating grants and contributions	717,880	659,335
Capital grants and contributions	-	7,560
General revenues:		
Property taxes	3,974,889	3,880,611
School district income taxes	1,266,635	1,140,937
Grants and entitlements	2,618,285	2,681,952
Investment earnings	121,372	110,553
Other	63,940	46,709
Total revenues	9,705,835	9,399,948

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,059,533	\$ 3,913,086
Special	1,177,872	1,105,584
Vocational	-	3,376
Other	37,606	-
Support services:		
Pupil	221,591	264,738
Instructional staff	170,617	141,552
Board of education	18,819	20,237
Administration	685,960	714,215
Fiscal	286,229	313,955
Operations and maintenance	899,185	597,268
Pupil transportation	282,530	282,744
Food service operations	249,840	198,415
Operations of non-instructional services	-	24,317
Extracurricular activities	329,881	321,947
Interest and fiscal charges	<u>550,750</u>	<u>559,170</u>
Total expenses	<u>8,970,413</u>	<u>8,460,604</u>
Change in net assets	735,422	939,344
Net assets at beginning of year	<u>(541,252)</u>	<u>(1,480,596)</u>
Net assets at end of year	<u><u>\$ 194,170</u></u>	<u><u>\$ (541,252)</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$735,422. Total governmental expenses of \$8,970,413 were offset by program revenues of \$1,660,714 and general revenues of \$8,045,121. Program revenues supported 17.11% of the total governmental expenses.

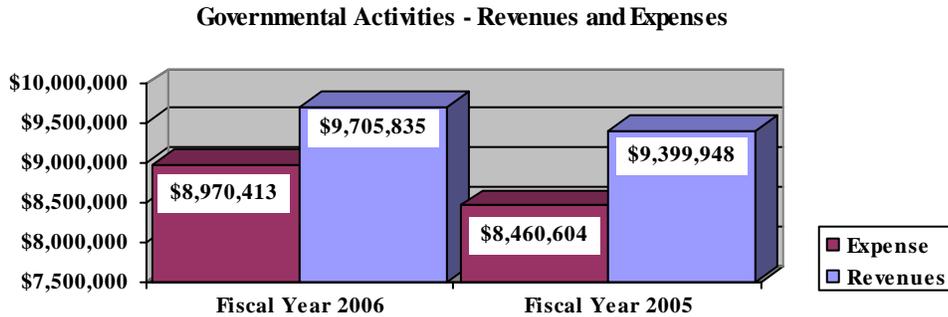
The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 82.89% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,275,011 or 58.80% of total governmental expenses for fiscal 2006.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.



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.

Governmental Activities

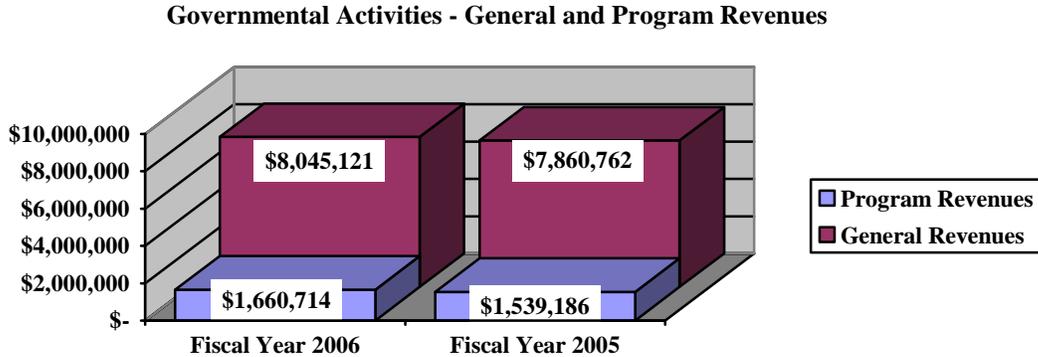
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 4,059,533	\$ 3,343,727	\$ 3,913,086	\$ 3,215,286
Special	1,177,872	824,006	1,105,584	784,714
Vocational	-	-	3,376	3,376
Other	37,606	37,606	-	-
Support services:				
Pupil	221,591	203,861	264,738	253,404
Instructional staff	170,617	159,361	141,552	127,184
Board of education	18,819	18,819	20,237	20,237
Administration	685,960	626,889	714,215	631,969
Fiscal	286,229	263,142	313,955	292,703
Operations and maintenance	899,185	884,176	597,268	578,013
Pupil transportation	282,530	272,469	282,744	278,398
Food service operations	249,840	(13,297)	198,415	(12,436)
Operations of non-instructional services	-	-	24,317	24,317
Extracurricular activities	329,881	138,190	321,947	165,083
Interest and fiscal charges	550,750	550,750	559,170	559,170
Total expenses	<u>\$ 8,970,413</u>	<u>\$ 7,309,699</u>	<u>\$ 8,460,604</u>	<u>\$ 6,921,418</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 79.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.49%. 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, 2006
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,911,525, which is higher than last year's total of \$2,185,118. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 1,144,662	\$ 283,990	\$ 860,672	303.06 %
Debt Service	1,162,023	1,116,382	45,641	4.09 %
Permanent Improvement	510,343	727,199	(216,856)	(29.82) %
Other Governmental	<u>94,497</u>	<u>57,547</u>	<u>36,950</u>	64.21 %
Total	<u>\$ 2,911,525</u>	<u>\$ 2,185,118</u>	<u>\$ 726,407</u>	33.24 %

General Fund

The District's general fund balance increased \$860,672. The increase in fund balance can be attributed to several items related to increasing revenues, increased expenditures and decreased transfers to other funds. Revenues including taxes, tuition, earnings on investments, and other revenues increased, while expenditures including instruction, support services and debt service all increased. The net effect of these changes resulted in an increased fund balance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,444,428	\$ 3,994,067	\$ 450,361	11.28
Tuition	513,252	480,974	32,278	6.71
Earnings on investments	73,039	35,179	37,860	107.62
Intergovernmental	2,519,068	2,581,205	(62,137)	(2.41)
Other revenues	<u>100,299</u>	<u>87,405</u>	<u>12,894</u>	14.75
Total	<u>\$ 7,650,086</u>	<u>\$ 7,178,830</u>	<u>\$ 471,256</u>	6.56
<u>Expenditures</u>				
Instruction	\$ 4,492,285	\$ 4,425,529	\$ 66,756	1.51
Support services	2,156,652	2,128,043	28,609	1.34
Extracurricular activities	128,790	136,007	(7,217)	(5.31)
Debt service	<u>11,687</u>	<u>9,874</u>	<u>1,813</u>	18.36
Total	<u>\$ 6,789,414</u>	<u>\$ 6,699,453</u>	<u>\$ 89,961</u>	1.34

Earnings on investments increased 107.62% from the prior year. The increase in investment income is due to increases in interest rates throughout the year. All other revenue remained comparable to 2005. Instruction expenditures increased 1.51% and represented the largest expenditure item of the District.

Debt Service Fund

The debt service fund had \$953,626 in revenues and \$907,985 in expenditures. During fiscal year 2006, the debt service fund's fund balance increased \$45,641 from \$1,116,382 to \$1,162,023.

Permanent Improvement Fund

The permanent improvement fund had \$621,443 in revenues and \$838,299 in expenditures. During fiscal year 2006, the permanent improvement fund's fund balance decreased \$216,856 from \$727,199 to \$510,343.

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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues were \$7,249,618 and final budgeted revenues were \$7,451,817. Actual revenues and other financing sources for fiscal 2006 was \$7,460,350. This represents a \$8,533 increase from final budgeted revenues.

General fund original appropriations of \$6,893,612 were increased to \$6,903,536 in the final appropriations. The actual budget basis expenditures for fiscal year 2006 totaled \$6,790,674, which was \$112,862 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, 2006
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$8,250,431 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 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 177,777	\$ 177,777
Building and improvements	7,791,425	7,993,849
Furniture and equipment	73,832	48,472
Vehicles	207,397	233,630
Total	\$ 8,250,431	\$ 8,453,728

The overall decrease in capital assets of \$203,297 is due to depreciation expense of \$240,873 exceeding capital outlays of \$37,576 in the fiscal year.

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

Debt Administration

At June 30, 2006, the District had \$11,092,642 in general obligation bonds, tax anticipation notes, energy conservation loans, certificates of participation and capital lease obligations outstanding. Of this total, \$565,442 is due within one year and \$10,527,200 is due within more than one year. The following table summarizes the obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2006	2005
General obligation bonds	\$ 610,000	\$ 710,000
Income tax anticipation notes	256,000	384,000
Energy conservation loan	338,116	374,777
Certificates of participation	9,801,556	9,950,005
Capital lease obligations	86,970	94,970
Total	\$ 11,092,642	\$ 11,513,752

At June 30, 2006, the District's overall legal debt margin was \$5,402,129 and an unvoted debt margin of \$159,121.

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, 2006
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.

The District has faced challenges over the last several years and was forced to make cuts because of expenses rising faster than revenues. The State Superintendent declared the District to be in a state of fiscal watch effective June 22, 2004. The Board adopted a five year forecast in May 2006 that showed positive balances for two years beyond the current fiscal year. The District requested to be removed from fiscal watch based on the strides made in the financial outlook of the District. The District was notified in August of 2006 that it qualified for removal and was directed to formally adopt a Board resolution to request release from fiscal watch which it did in September 2006. The District expects to be released from fiscal watch sometime in October 2006.

Projections are that, with continued management of costs and increases in local tax revenue due to real estate growth occurring in the District, the District can remain in the black for at least the first three years of the forecast.

The District believes it can eliminate future projected 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.

It is imperative that the District's management continues 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.

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,441,258
Cash with fiscal agent.	2
Receivables:	
Taxes	4,739,401
Accounts	1,065
Accrued interest	10,947
Intergovernmental	8,829
Prepayments	8,401
Materials and supplies inventory	3,557
Capital assets:	
Land	177,777
Depreciable capital assets, net	8,072,654
Total capital assets, net.	8,250,431
 Total assets.	 16,463,891
Liabilities:	
Accounts payable.	72,123
Accrued wages and benefits	672,861
Pension obligation payable.	142,165
Intergovernmental payable	8,979
Deferred revenue	3,497,543
Accrued interest payable	36,642
Claims payable	84,965
Long-term liabilities:	
Due within one year.	674,022
Due within more than one year	11,080,421
 Total liabilities	 16,269,721
Net Assets:	
Invested in capital assets, net of related debt.	(1,051,312)
Restricted for:	
Capital projects	553,727
Debt service.	1,151,861
Locally funded programs	2,630
State funded programs.	15,839
Federally funded programs	842
Student activities	22,047
Other purposes	18,902
Unrestricted (deficit)	(520,366)
 Total net assets.	 \$ 194,170

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, 2006

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,059,533	\$ 539,837	\$ 175,969	\$ (3,343,727)
Special	1,177,872	-	353,866	(824,006)
Other	37,606	-	-	(37,606)
Support services:				
Pupil	221,591	5,397	12,333	(203,861)
Instructional staff	170,617	-	11,256	(159,361)
Board of education	18,819	-	-	(18,819)
Administration	685,960	56,571	2,500	(626,889)
Fiscal	286,229	-	23,087	(263,142)
Operations and maintenance	899,185	15,009	-	(884,176)
Pupil transportation	282,530	10,061	-	(272,469)
Operation of non-instructional services:				
Food service operations	249,840	124,268	138,869	13,297
Extracurricular activities	329,881	191,691	-	(138,190)
Interest and fiscal charges	550,750	-	-	(550,750)
Total governmental activities	\$ 8,970,413	\$ 942,834	\$ 717,880	(7,309,699)

General Revenues:	
Property taxes levied for:	
General purposes	3,146,418
Debt service	298,722
Capital projects	529,749
School district income tax	1,266,635
Grants and entitlements not restricted to specific programs	2,618,285
Investment earnings	121,372
Miscellaneous	63,940
Total general revenues	8,045,121
Change in net assets	735,422
Net assets (deficit) at beginning of year	(541,252)
Net assets at end of year	\$ 194,170

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,269,071	\$ 166,411	\$ 532,959	\$ 121,618	\$ 2,090,059
Cash with fiscal agent.	-	2	-	-	2
Receivables:					
Taxes	3,894,642	302,149	542,610	-	4,739,401
Accounts	-	-	-	1,065	1,065
Accrued interest	10,947	-	-	-	10,947
Intergovernmental	-	-	-	8,829	8,829
Prepayments	8,401	-	-	-	8,401
Materials and supplies inventory	-	-	-	3,557	3,557
Restricted assets:					
Equity in pooled cash and cash equivalents.	18,902	979,097	-	-	997,999
Total assets	<u>\$ 5,201,963</u>	<u>\$ 1,447,659</u>	<u>\$ 1,075,569</u>	<u>\$ 135,069</u>	<u>\$ 7,860,260</u>
Liabilities:					
Accounts payable	\$ 20,223	\$ -	\$ 51,900	\$ -	\$ 72,123
Accrued wages and benefits	644,629	-	-	28,232	672,861
Compensated absences payable	81,123	-	-	3,952	85,075
Pension obligation payable	134,160	-	-	8,005	142,165
Intergovernmental payable	8,596	-	-	383	8,979
Deferred revenue.	3,168,570	285,636	513,326	-	3,967,532
Total liabilities	<u>4,057,301</u>	<u>285,636</u>	<u>565,226</u>	<u>40,572</u>	<u>4,948,735</u>
Fund Balances:					
Reserved for encumbrances	20,058	-	-	-	20,058
Reserved for materials and supplies inventory.	-	-	-	3,557	3,557
Reserved for prepayments	8,401	-	-	-	8,401
Reserved for property tax unavailable for appropriation	162,687	16,513	29,284	-	208,484
Reserved for debt service	-	1,145,510	-	-	1,145,510
Reserved for school bus purchase	18,902	-	-	-	18,902
Unreserved, undesignated reported in:					
General fund	934,614	-	-	-	934,614
Special revenue funds	-	-	-	90,940	90,940
Capital projects funds	-	-	481,059	-	481,059
Total fund balances.	<u>1,144,662</u>	<u>1,162,023</u>	<u>510,343</u>	<u>94,497</u>	<u>2,911,525</u>
Total liabilities and fund balances	<u>\$ 5,201,963</u>	<u>\$ 1,447,659</u>	<u>\$ 1,075,569</u>	<u>\$ 135,069</u>	<u>\$ 7,860,260</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$	2,911,525
<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.			8,250,431
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	462,140	
Accrued interest		7,849	
Total			469,989
An internal service fund is used by management to charge the costs of dental and vision funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			268,235
Accrued interest payable is not due and payable within the current period and is therefore not reported in the funds.			(36,642)
Long-term liabilities, including bonds, loans, notes and certificates of participation, are not due and payable in the current period and			
Compensated absences		576,726	
Capital lease obligation		86,970	
General obligation bonds payable		610,000	
Loans payable		338,116	
Notes payable		256,000	
Certificates of participation		9,801,556	(11,669,368)
Total			\$ 194,170
Net assets of governmental activities			

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, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 3,177,793	\$ 305,530	\$ 541,823	\$ -	\$ 4,025,146
Income taxes	1,266,635	-	-	-	1,266,635
Intergovernmental - state	2,519,068	31,568	67,649	174,867	2,793,152
Intergovernmental - federal	-	-	-	543,013	543,013
Interest	73,039	44,541	-	-	117,580
Charges for services	-	-	-	124,268	124,268
Extracurricular	-	-	-	213,478	213,478
Tuition and fees	513,252	-	-	-	513,252
Transportation fees	10,061	-	-	-	10,061
Classroom materials and fees	23,260	-	-	-	23,260
Other local revenue	66,978	571,987	11,971	43,506	694,442
Total revenue	<u>7,650,086</u>	<u>953,626</u>	<u>621,443</u>	<u>1,099,132</u>	<u>10,324,287</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,647,929	-	9,738	171,586	3,829,253
Special	813,630	-	-	356,558	1,170,188
Other	30,726	-	-	-	30,726
Support services:					
Pupil	210,510	-	-	15,238	225,748
Instructional staff	161,491	-	-	11,190	172,681
Board of education	18,819	-	-	-	18,819
Administration	609,336	-	-	54,681	664,017
Fiscal	260,750	-	-	19,461	280,211
Operations and maintenance	648,981	-	-	-	648,981
Pupil transportation	246,765	-	-	-	246,765
Operation of non-instructional services:					
Food service operations	-	-	-	241,664	241,664
Extracurricular activities	128,790	-	-	191,804	320,594
Facilities acquisition and construction	-	-	774,350	-	774,350
Debt service:					
Principal retirement	8,000	468,000	36,661	-	512,661
Interest and fiscal charges	3,687	439,985	17,550	-	461,222
Total expenditures	<u>6,789,414</u>	<u>907,985</u>	<u>838,299</u>	<u>1,062,182</u>	<u>9,597,880</u>
Net change in fund balances	860,672	45,641	(216,856)	36,950	726,407
Fund balances at beginning of year	<u>283,990</u>	<u>1,116,382</u>	<u>727,199</u>	<u>57,547</u>	<u>2,185,118</u>
Fund balances at end of year	<u>\$ 1,144,662</u>	<u>\$ 1,162,023</u>	<u>\$ 510,343</u>	<u>\$ 94,497</u>	<u>\$ 2,911,525</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2006**

Net change in fund balances - total governmental funds	\$	726,407
<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 exceeds capital outlays in the current period.		
Capital asset additions	\$ 37,576	
Current year depreciation	<u>(240,873)</u>	
Total		(203,297)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(50,257)	
Interest	<u>3,792</u>	
Total		(46,465)
Repayment of bonds, certificates of participation, notes, loans, and capital lease principal is an expenditure in the governmental funds, but the prepayment repayment reduces long-term liabilities on the statement of net assets.		
		512,661
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	2,023	
Accreted interest on capital appreciation bonds	<u>(91,551)</u>	
Total		(89,528)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(11,882)
The internal service fund used by management to charge the costs of employee dental and vision 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.		
		<u>(152,474)</u>
Change in net assets of governmental activities	\$	<u><u>735,422</u></u>

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, 2006

	<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	\$ 2,952,284	\$ 3,034,626	\$ 3,051,758	\$ 17,132
Income taxes	1,158,673	1,190,990	1,190,990	-
Intergovernmental - state	2,484,093	2,553,377	2,519,068	(34,309)
Interest	72,965	75,000	84,983	9,983
Tuition and fees	493,243	507,000	513,252	6,252
Transportation fees	3,891	4,000	10,061	6,061
Classroom materials and fees	22,862	23,500	23,260	(240)
Miscellaneous	61,607	63,324	66,978	3,654
Total revenue	<u>7,249,618</u>	<u>7,451,817</u>	<u>7,460,350</u>	<u>8,533</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,671,424	3,676,709	3,656,927	19,782
Special	831,272	832,469	782,962	49,507
Other	24,964	25,000	24,752	248
Support services:				
Pupil	213,126	213,433	208,534	4,899
Instructional staff	180,573	180,833	156,383	24,450
Board of education	21,891	21,923	19,390	2,533
Administration	606,486	607,359	612,107	(4,748)
Fiscal	274,415	274,810	262,141	12,669
Operations and maintenance	650,844	651,781	667,952	(16,171)
Pupil transportation	270,054	270,443	254,297	16,146
Extracurricular activities	136,892	137,089	133,542	3,547
Debt service:				
Principal retirement	7,989	8,000	8,000	-
Interest and fiscal charges	3,682	3,687	3,687	-
Total expenditures	<u>6,893,612</u>	<u>6,903,536</u>	<u>6,790,674</u>	<u>112,862</u>
Net change in fund balance	356,006	548,281	669,676	121,395
Fund balance at beginning of year	604,439	604,439	604,439	-
Prior year encumbrances appropriated	14,388	14,388	14,388	-
Fund balance at end of year	<u>\$ 974,833</u>	<u>\$ 1,167,108</u>	<u>\$ 1,288,503</u>	<u>\$ 121,395</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, 2006

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 353,200
Total assets	<u>353,200</u>
Liabilities:	
Current liabilities:	
Claims payable	84,965
Total liabilities	<u>84,965</u>
Net assets:	
Unrestricted.	268,235
Total net assets	<u>\$ 268,235</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, 2006

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Sales/charges for services	\$ 16,727
Total operating revenues	<u>16,727</u>
Operating expenses:	
Claims expense	153,579
Purchased services.	<u>15,622</u>
Total operating expenses	<u>169,201</u>
Operating loss/change in net assets	(152,474)
Net assets at beginning of year	<u>420,709</u>
Net assets at end of year.	<u><u>\$ 268,235</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, 2006

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 16,727
Cash payments for claims expense.	(125,791)
Cash payments for purchased services.	<u>(15,622)</u>
Net cash used in operating activities	<u>(124,686)</u>
Cash and cash equivalents at beginning of year . . .	<u>477,886</u>
Cash and cash equivalents at end of year.	<u><u>\$ 353,200</u></u>
Operating loss.	\$ (152,474)
Changes in assets and liabilities:	
Increase in claims payable	<u>27,788</u>
Net cash used in operating activities	<u><u>\$ (124,686)</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, 2006

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 26,352
Total assets.	<u>\$ 26,352</u>
Liabilities:	
Due to students	\$ 26,352
Total liabilities	<u>\$ 26,352</u>

SEE ACCOMPANYING NOTES TO 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, 2006**

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 28 non-certificated employees, 69 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,011 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; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 these 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, 2006

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. Financial information can be obtained from the treasurer of the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

Portage Area School Consortium - The Portage Area School Consortium (the "Consortium") is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in Columbiana, Portage and Mahoning counties. The Consortium is a stand alone entity, comprised of two stand-alone Pools; the Portage County School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These Pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The Pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

PUBLIC ENTITY RISK POOL

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 (OASBO) 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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:

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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.

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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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.

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, 2006, but which were levied to finance fiscal year 2007 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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.

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 first and final amended certificates issued during fiscal year 2006.

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 which is the legal level of budgetary control. 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 original and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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.

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 2006, investments were limited to federal agency securities, U.S. Government Money Market, 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 2006. 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, 2006.

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 2006 amounted to \$73,039, which includes \$41,884 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 District'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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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. The District maintains a capitalization threshold of \$5,000. 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.

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, 2006, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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.

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 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, prepayments, school bus purchase, debt service and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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 restriction for other purposes consists of monies restricted by State Statute for bus purchases (see Note 16).

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2006, net assets restricted by enabling legislation were \$1,276,230 in the statement of net assets.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

O. 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.

P. 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.

Q. 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Poverty Aid	\$ 19
Title I	3,612
Title V	2
Improving Teacher Quality	43
Miscellaneous Federal Grants	3

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.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify 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 that the Board of Education has identified as not required for use within the current five 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 moneys 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 or deposit accounts including passbook accounts.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial 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 to 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 and interest by the United States;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
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 Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the District had \$550 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash with Fiscal Agent

At fiscal year-end, the District had \$2 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".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$470,620, exclusive of the \$599,000 repurchase agreement included in the investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$310,193 of the District's bank balance of \$607,193 was exposed to custodial risk as discussed below, while \$297,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

D. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
U.S. Treasury Money Market Repurchase Agreement	\$ 28,837	\$ 28,837	\$ -	\$ -	\$ -	\$ -
STAR Ohio	599,000	599,000	-	-	-	-
FHLB	304,487	304,487	-	296,017	-	-
FNMA	296,017	-	-	-	97,625	199,126
FHLM	1,275,112	978,361	-	-	-	492,987
	492,987	-	-	-	-	492,987
	<u>\$ 2,996,440</u>	<u>\$ 1,910,685</u>	<u>\$ -</u>	<u>\$ 296,017</u>	<u>\$ 97,625</u>	<u>\$ 692,113</u>

The weighted average maturity of investments is 2.14 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the district's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. Treasury Money Market	\$ 28,837	0.96
Repurchase Agreement	599,000	19.99
Star Ohio	304,487	10.16
FHLB	296,017	9.88
FNMA	1,275,112	42.56
FHLM	<u>492,987</u>	<u>16.45</u>
	<u>\$ 2,996,440</u>	<u>100.00</u>

E. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 470,620
Investments	2,996,440
Cash on hand	550
Cash with fiscal agent	<u>2</u>
Total	<u>\$ 3,467,612</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,441,260
Agency fund	<u>26,352</u>
Total	<u>\$ 3,467,612</u>

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. 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.

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, 2006, are available to finance fiscal year 2006 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, 2006 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.

The amount available as an advance at June 30, 2006 was \$162,687 in the general fund, \$16,513 in the debt service fund, and \$29,284 in the permanent improvement fund. The amount available as an advance at June 30, 2005 was \$36,652 in the general fund, \$3,720 in the debt service fund, and \$6,597 in the permanent improvement fund.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second		2006 First	
	<u>Half Collections</u>		<u>Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 133,562,000	86.27	\$ 142,038,310	89.26
Public utility personal	4,924,440	3.18	5,324,930	3.35
Tangible personal property	<u>16,323,376</u>	<u>10.55</u>	<u>11,757,640</u>	<u>7.39</u>
Total	<u>\$ 154,809,816</u>	<u>100.00</u>	<u>\$ 159,120,880</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$34.53		\$32.50

NOTE 6 - SCHOOL DISTRICT INCOME TAX

The District has authorized, through voter approval, an annual school district income tax levied on the 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 2006 was \$1,266,635.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest 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	\$ 4,739,401
Accounts	1,065
Intergovernmental	8,829
Accrued interest	<u>10,947</u>
Total	<u>\$ 4,760,242</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>07/01/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</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	10,388,381	-	-	10,388,381
Furniture and equipment	190,956	37,576	-	228,532
Vehicles	366,012	-	-	366,012
Total capital assets, being depreciated	<u>10,994,760</u>	<u>37,576</u>	<u>-</u>	<u>11,032,336</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(49,411)	-	-	(49,411)
Buildings and improvements	(2,394,532)	(202,424)	-	(2,596,956)
Furniture and equipment	(142,484)	(12,216)	-	(154,700)
Vehicles	(132,382)	(26,233)	-	(158,615)
Total accumulated depreciation	<u>(2,718,809)</u>	<u>(240,873)</u>	<u>-</u>	<u>(2,959,682)</u>
Governmental activities capital assets, net	<u>\$ 8,453,728</u>	<u>\$ (203,297)</u>	<u>\$ -</u>	<u>\$ 8,250,431</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 125,788
Special	5,959

Support Services:

Pupil	5,436
Instructional staff	7,923
Administration	4,244
Fiscal	1,548
Operations and maintenance	47,922
Pupil transportation	26,233
Extracurricular activities	9,287
Food service operations	<u>6,533</u>
Total depreciation expense	<u>\$ 240,873</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In the prior 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. Principal payments in fiscal year 2006 totaled \$8,000 paid by the general fund.

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, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 12,332
2008	12,036
2009	11,717
2010	11,384
2011	12,006
2012 - 2015	<u>46,809</u>
Total minimum lease payments	106,284
Less amount representing interest	<u>(19,314)</u>
Total	<u>\$ 86,970</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>07/01/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/06</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Income tax anticipation notes	\$ 384,000	\$ -	\$ (128,000)	\$ 256,000	\$ 128,000
Library bonds	710,000	-	(100,000)	610,000	110,000
Energy conservation loan	374,777	-	(36,661)	338,116	38,442
Certificate of participation	9,950,005	91,551	(240,000)	9,801,556	280,000
Capital lease obligation	94,970	-	(8,000)	86,970	9,000
Compensated absences	<u>596,279</u>	<u>116,139</u>	<u>(50,617)</u>	<u>661,801</u>	<u>108,580</u>
Total long-term obligations, governmental activities	<u>\$ 12,110,031</u>	<u>\$ 207,690</u>	<u>\$ (563,278)</u>	<u>\$ 11,754,443</u>	<u>\$ 674,022</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 128,000	\$ 7,168	\$ 135,168
2008	<u>128,000</u>	<u>3,584</u>	<u>131,584</u>
Total	<u>\$ 256,000</u>	<u>\$ 10,752</u>	<u>\$ 266,752</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.

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 110,000	\$ 28,834	\$ 138,834
2008	115,000	23,389	138,389
2009	120,000	17,573	137,573
2010	125,000	11,633	136,633
2011	<u>140,000</u>	<u>5,321</u>	<u>145,321</u>
Total	<u>\$ 610,000</u>	<u>\$ 86,750</u>	<u>\$ 696,750</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 38,442	\$ 15,774	\$ 54,216
2008	40,310	13,906	54,216
2009	42,268	11,948	54,216
2010	44,321	9,895	54,216
2011	46,474	7,742	54,216
2012 - 2014	<u>126,301</u>	<u>9,237</u>	<u>135,538</u>
Total	<u>\$ 338,116</u>	<u>\$ 68,502</u>	<u>\$ 406,618</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%.

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 2006 is \$91,551.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2006 on the 1999 Certificates of Participation:

	Balance Outstanding <u>07/01/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/06</u>	Amounts Due in <u>One Year</u>
Current interest certificates	\$ 8,045,000	\$ -	\$ (240,000)	\$ 7,805,000	\$ 280,000
Capital appreciation certificates	<u>1,905,005</u>	<u>91,551</u>	<u>-</u>	<u>1,996,556</u>	<u>-</u>
Total	<u>\$ 9,950,005</u>	<u>\$ 91,551</u>	<u>\$ (240,000)</u>	<u>\$ 9,801,556</u>	<u>\$ 280,000</u>

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
2007	\$ 280,000	\$ 379,426	\$ 659,426	\$ -	\$ -	\$ -
2008	320,000	366,896	686,896	-	-	-
2009	390,000	351,888	741,888	-	-	-
2010	435,000	334,248	769,248	-	-	-
2011	-	-	-	274,461	195,539	470,000
2012 - 2016	660,000	308,231	968,231	1,135,313	1,109,687	2,245,000
2017 - 2021	3,865,000	988,381	4,853,381	-	-	-
2022 - 2024	<u>1,855,000</u>	<u>96,692</u>	<u>1,951,692</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,805,000</u>	<u>\$ 2,825,762</u>	<u>\$ 10,630,762</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, 2006 are a voted debt margin of \$5,402,129 and an unvoted debt margin of \$159,121.

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 2006, the District contracted with Indiana Insurance Company for property, inland marine, boiler/machinery coverage, fleet insurance, and liability insurance. Coverage is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$15,214,424
Inland Marine Coverage (\$100 deductible)	75,000
Schedule Property (\$250 deductible)	767,450

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - RISK MANAGEMENT - (Continued)

Crime Insurance	\$ 5,000
Automobile Liability (\$0 deductible)	2,000,000
General Liability	
Per occurrence	1,000,000
Total per year	2,000,000
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.

B. Dental and Vision Insurance Benefits

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. 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 claims liability of \$84,965 reported in the internal service fund at June 30, 2006, is based on a review of claims processed during the months of July and August 2006 and determining those claims with service dates prior to June 30, 2006, 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.

C. Employee Medical Benefits

During fiscal year 2006, the District became a member of the Portage Area School Consortium (the "Consortium"), a shared risk pool (See Note 2.A), through which a cooperative Health Benefit Program was created for the benefit of its members. In previous years, the District was self-insured. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the District were to withdraw from the pool. If the reserve would not cover such claims, the District would be liable for any costs above the reserve.

Changes in the fund's claim liability amount for fiscal years 2006 and 2005 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2006	\$ 57,177	\$ 153,579	\$ (125,791)	\$ 84,965
2005	68,310	754,120	765,253	57,177

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 11 - RISK MANAGEMENT - (Continued)

D. 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.

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 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 11.70 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$82,285, \$76,266, and \$74,238, respectively; 43.35 percent has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$46,613 represents the unpaid contribution for fiscal year 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 percent 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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$439,409, \$422,472, and \$465,387, respectively; 84.39 percent has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$68,577 represents the unpaid contribution for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal 2006 were \$898 made by the District and \$4,417 made by plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$33,801 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 2.30 percent of covered payroll, a decrease of 1.13 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$27,133 to fund health care benefits, including the surcharge.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)

The surcharge, added to the unallocated portion of the 14 percent 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 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

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).

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	\$ 669,676
Net adjustment for revenue accruals	189,736
Net adjustment for expenditure accruals	(18,798)
Adjustment for encumbrances	20,058
GAAP basis	\$ 860,672

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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.

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.

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, 2005	\$ (35,316)	\$ -
Current year set-aside requirement	145,352	145,352
Current year offsets	-	(586,785)
Qualifying disbursements	<u>(127,870)</u>	<u>(60,749)</u>
 Total	 <u>\$ (17,834)</u>	 <u>\$ (502,182)</u>
 Cash balance carried forward to FY 2007	 <u>\$ (17,834)</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 16 - STATUTORY RESERVES – (Continued)

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The District also has assets restricted in the debt service fund to satisfy requirements in the trustee agreement for the issuance of Certificates of Participation (COPS).

A schedule of the governmental fund restricted assets at June 30, 2006 follows:

Amount restricted for Certificates of Participation	\$ 979,097
Amount restricted for school bus purchases	<u>18,902</u>
Total restricted assets	<u>\$ 997,999</u>

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.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550		\$31,115		\$31,115
Nutrition Cluster:						
National School Breakfast Program	2006 05-PU	10.553	11,508		11,508	
Total National School Breakfast Program			11,508		11,508	
National School Lunch Program	2005 LL-P4 2006 LL-P4	10.555	20,552 80,851		20,552 80,851	
Total National School Lunch Program			101,403		101,403	
Total Nutrition Cluster			112,911		112,911	
Total U.S. Department of Agriculture			112,911	31,115	112,911	31,115
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 2005 C1-S1 2006	84.010	0 103,865		7,022 97,481	
Total Title I Grants to Local Educational Agencies			103,865		104,503	
Title V - Innovation Program Grant	C2-S1 2006	84.298	3,319		3,319	
IDEA - Part B Grant	6B-SF 2005 6B-SF 2006	84.027	0 235,369		7,099 235,369	
Total Title II-D Grant			235,369		242,468	
Drug Free School Grant	DR-S1 2005 DR-S1 2006	84.186	3,041 4,475		3,526 4,041	
Total Drug Free School Grant			7,516		7,567	
Title II-A Grant	TR-S1-2006	84.367	41,053		41,053	
Early Childhood Special Education	PG-S1 2006	84.173	6,424		6,424	
Title II-D Grant	TJ-S1 2006	84.318	2,043		2,043	
Advanced Placement Program	AV-TF 2004	84.330	52		0	
Total Department of Education			399,641		407,377	
Total Federal Receipts and Expenditures			\$512,552	\$31,115	\$520,288	\$31,115

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

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2006**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local receipts. It is assumed federal monies are expended first.



Mary Taylor, CPA

Auditor of State

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

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 the Columbiana Exempted Village School District, Columbiana County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 15, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 15, 2007, we reported other matters related to noncompliance we deemed immaterial.

Columbiana Exempted Village School District
Columbiana County
Independent Accountants' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

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

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

Mary Taylor, CPA
Auditor of State

March 15, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Columbiana Exempted Village School District, Columbiana County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

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

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

Mary Taylor, CPA
Auditor of State

March 15, 2007

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505**

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B (CFDA# 84.027)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

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
JUNE 14, 2007**