



Mary Taylor, CPA
Auditor of State

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

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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, 2007, 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, 2007, 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 31, 2008, 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.

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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 31, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$561,362 which represents a 203.55% increase from 2006.
- General revenues accounted for \$8,128,071 in revenue or 79.43% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,104,615 or 20.57% of total revenues of \$10,232,686.
- The District had \$9,671,324 in expenses related to governmental activities; \$2,104,615 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 \$8,128,071 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 \$7,985,024 in revenues and \$7,698,854 in expenditures. During fiscal year 2007, the general fund's fund balance increased \$286,170 from \$1,144,662 to a balance of \$1,430,832.
- The debt service fund had \$986,068 in revenues and \$939,141 in expenditures. During fiscal year 2007, the debt service fund's fund balance increased \$46,927 from \$1,162,023 to \$1,208,950.
- The permanent improvement fund had \$599,491 in revenues and \$760,440 in expenditures. During fiscal year 2007, the permanent improvement fund's balance decreased \$160,949 from \$510,343 to \$349,394.

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, 2007
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 2007?" 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, 2007
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Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-53 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 2007 and 2006. The net assets for the District were restated as described in Note 3.A to the basic financial statements.

	Net Assets	
	Governmental Activities	Restated Governmental Activities
	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current and other assets	\$ 8,667,758	\$ 8,213,460
Capital assets	<u>8,172,323</u>	<u>8,250,431</u>
Total assets	<u>16,840,081</u>	<u>16,463,891</u>
<u>Liabilities</u>		
Current liabilities	4,651,215	4,433,666
Long-term liabilities	<u>11,351,722</u>	<u>11,754,443</u>
Total liabilities	<u>16,002,937</u>	<u>16,188,109</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	(840,420)	(1,051,312)
Restricted	1,659,970	1,765,848
Unrestricted (deficit)	<u>17,594</u>	<u>(438,754)</u>
Total net assets (deficit)	<u>\$ 837,144</u>	<u>\$ 275,782</u>

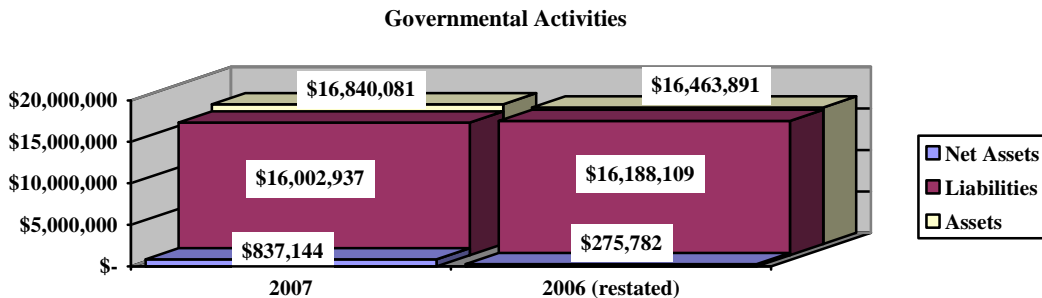
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$837,144.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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At year-end, capital assets represented 48.53% 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, 2007, were (\$840,420). 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, \$1,659,970, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$17,594 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2007 and 2006. The net assets for the District were restated as described in Note 3.A to the basic financial statements.

	Change in Net Assets	
	Governmental Activities 2007	Restated Governmental Activities 2006
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,102,042	\$ 942,834
Operating grants and contributions	993,507	717,880
Capital grants and contributions	9,066	-
General revenues:		
Property taxes	3,904,618	3,974,889
School district income taxes	1,406,939	1,266,635
Grants and entitlements	2,540,749	2,618,285
Investment earnings	207,960	121,372
Other	67,805	63,940
Total revenues	10,232,686	9,705,835

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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	Change in Net Assets	
	Governmental	Restated
	Activities	Governmental
	<u>2007</u>	<u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,461,097	\$ 4,059,533
Special	1,221,385	1,177,872
Other	73,268	37,606
Support services:		
Pupil	282,285	221,591
Instructional staff	208,498	170,617
Board of education	19,193	18,819
Administration	707,688	685,960
Fiscal	339,985	286,229
Operations and maintenance	714,306	899,185
Pupil transportation	289,855	282,530
Operation of non-instructional:		
Food service operations	305,559	249,840
Extracurricular activities	346,286	329,881
Intergovernmental	167,868	-
Interest and fiscal charges	<u>534,051</u>	<u>550,750</u>
Total expenses	<u>9,671,324</u>	<u>8,970,413</u>
Change in net assets	561,362	735,422
Net assets (deficit) at beginning of year (restated)	<u>275,782</u>	<u>(459,640)</u>
Net assets at end of year	<u><u>\$ 837,144</u></u>	<u><u>\$ 275,782</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$561,362. Total governmental expenses of \$9,671,324 were offset by program revenues of \$2,104,615 and general revenues of \$8,128,071. Program revenues supported 21.76% of the total governmental expenses.

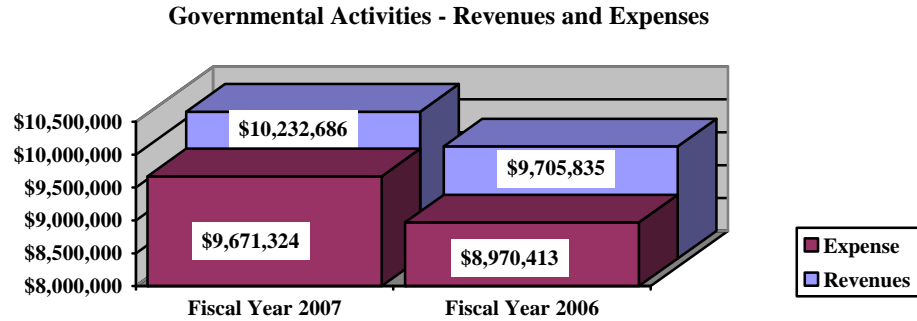
The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 76.74% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,755,750 or 59.51% of total governmental expenses for fiscal 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.



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

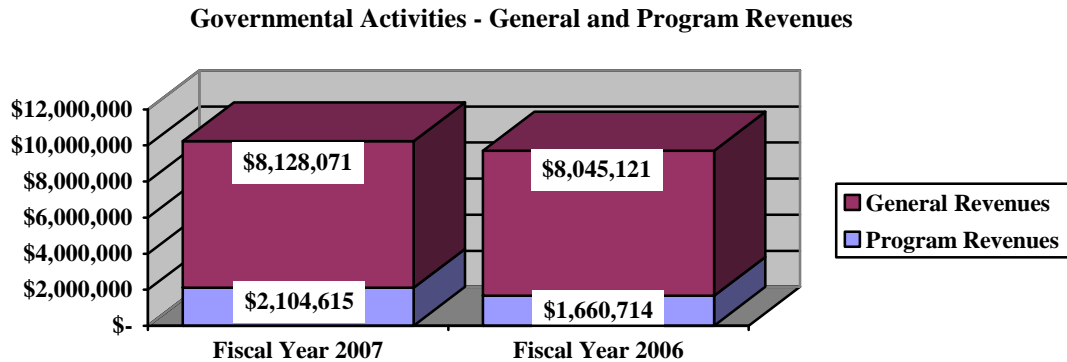
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses				
Instruction:				
Regular	\$ 4,461,097	\$ 3,648,853	\$ 4,059,533	\$ 3,343,727
Special	1,221,385	694,887	1,177,872	824,006
Other	73,268	70,345	37,606	37,606
Support services:				
Pupil	282,285	278,921	221,591	203,861
Instructional staff	208,498	198,330	170,617	159,361
Board of education	19,193	19,193	18,819	18,819
Administration	707,688	647,375	685,960	626,889
Fiscal	339,985	336,850	286,229	263,142
Operations and maintenance	714,306	707,434	899,185	884,176
Pupil transportation	289,855	258,636	282,530	272,469
Operation of non-instructional:				
Food service operations	305,559	12,147	249,840	(13,297)
Extracurricular activities	346,286	144,852	329,881	138,190
Intergovernmental	167,868	14,835	-	-
Interest and fiscal charges	534,051	534,051	550,750	550,750
Total expenses	<u>\$ 9,671,324</u>	<u>\$ 7,566,709</u>	<u>\$ 8,970,413</u>	<u>\$ 7,309,699</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 76.69% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.24%. 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, 2007
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,058,710, which is higher than last year's total of \$2,911,525. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Fund Balance</u> <u>June 30, 2006</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
General	\$ 1,430,832	\$ 1,144,662	\$ 286,170	25.00 %
Debt Service	1,208,950	1,162,023	46,927	4.04 %
Permanent Improvement	349,394	510,343	(160,949)	(31.54) %
Other Governmental	<u>69,534</u>	<u>94,497</u>	<u>(24,963)</u>	(26.42) %
Total	<u>\$ 3,058,710</u>	<u>\$ 2,911,525</u>	<u>\$ 147,185</u>	5.06 %

General Fund

The District's general fund balance increased \$286,170. The increase in fund balance can be attributed to several items related to increasing revenues and increased expenditures. 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, 2007
UNAUDITED

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,428,506	\$ 4,444,428	\$ (15,922)	(0.36) %
Tuition	683,762	513,252	170,510	33.22 %
Earnings on investments	150,471	73,039	77,432	106.01 %
Intergovernmental	2,601,676	2,519,068	82,608	3.28 %
Other revenues	<u>120,609</u>	<u>100,299</u>	<u>20,310</u>	20.25 %
Total	<u>\$ 7,985,024</u>	<u>\$ 7,650,086</u>	<u>\$ 334,938</u>	4.38 %
<u>Expenditures</u>				
Instruction	\$ 5,102,643	\$ 4,492,285	\$ 610,358	13.59 %
Support services	2,344,833	2,156,652	188,181	8.73 %
Extracurricular activities	148,109	128,790	19,319	15.00 %
Facilities acquisition and construction	90,844	-	90,844	100.00 %
Debt service	<u>12,425</u>	<u>11,687</u>	<u>738</u>	6.31 %
Total	<u>\$ 7,698,854</u>	<u>\$ 6,789,414</u>	<u>\$ 909,440</u>	13.39 %

Earnings on investments increased 106.01% from the prior year. The increase in investment income is due to increases in interest rates throughout the year. Tuition increased 33.22%. This increase can be attributed to an increase in the number of open enrollment students attending the District from other schools. All other revenue remained comparable to 2006. Instruction expenditures increased 13.59% and represented the largest expenditure item of the District. This increase is due mainly to an increase of two teachers, an increase in costs for special needs students and an increase in the number of students attending other school districts through open enrollment. The increase in support services is mainly due increased costs in building maintenance, a two year audit and the purchase of equipment and technology. The increase in facilities acquisition and construction can be attributed to two restroom projects completed by the District.

Debt Service Fund

The debt service fund had \$986,068 in revenues and \$939,141 in expenditures. During fiscal year 2007, the debt service fund's fund balance increased \$46,927 from \$1,162,023 to \$1,208,950.

Permanent Improvement Fund

The permanent improvement fund had \$599,491 in revenues and \$760,440 in expenditures. During fiscal year 2007, the permanent improvement fund's fund balance decreased \$160,949 from \$510,343 to \$349,394.

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 2007, the District amended its general fund budget several times. For the general fund, original budgeted revenues were \$7,564,320 and final budgeted revenues were \$7,986,419. Actual revenues and other financing sources for fiscal 2007 was \$7,982,891. This represents a \$3,528 decrease from final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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General fund original appropriations of \$7,331,631 were increased to \$7,691,569 in the final appropriations. The actual budget basis expenditures for fiscal year 2007 totaled \$7,606,712, which was \$84,857 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$8,172,323 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 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	2006
Land	\$ 177,777	\$ 177,777
Building and improvements	7,739,431	7,791,425
Furniture and equipment	72,852	73,832
Vehicles	182,263	207,397
Total	\$ 8,172,323	\$ 8,250,431

The overall decrease in capital assets of \$78,108 is due to depreciation expense of \$243,879 exceeding capital outlays of \$165,771 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2007, the District had \$10,623,153 in general obligation bonds, tax anticipation notes, energy conservation loans, certificates of participation and capital lease obligations outstanding. Of this total, \$612,310 is due within one year and \$10,010,843 is due within more than one year. The following table summarizes the obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2007	2006
General obligation bonds	\$ 500,000	\$ 610,000
Income tax anticipation notes	128,000	256,000
Energy conservation loan	299,674	338,116
Certificates of participation	9,617,509	9,801,556
Capital lease obligations	77,970	86,970
Total	\$ 10,623,153	\$ 11,092,642

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

At June 30, 2007, the District's overall legal debt margin was \$4,842,247 and an unvoted debt margin of \$149,953.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

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 on March 16, 2007. The District's May 2007 five-year forecast projects the District being in the black throughout the forecast, however, expenses are expected to exceed revenues beginning in fiscal year 2009. Plans are already in place to address this through staffing and monitoring expenses.

The District believes it can eliminate future deficits through managing costs without seeking approval of additional operating funds from its voters. More than 30% of the teaching staff is currently eligible to retire, so as experienced staff leaves, if replaced, they will be replaced at a much lower cost. The District is at the 20 mill floor for property taxes so it realizes growth in tax revenue after each reappraisal. Also, as new homes are built, the District will realize growth in both property tax revenue and school district income tax revenue. There are some large residential developments under construction currently in the 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 citizens, 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, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 3,719,807
Cash with fiscal agent.	10
Receivables:	
Taxes	4,882,699
Accounts	417
Accrued interest	17,075
Intergovernmental	35,604
Prepayments	4,788
Materials and supplies inventory	7,358
Capital assets:	
Land	177,777
Depreciable capital assets, net	7,994,546
Total capital assets, net.	8,172,323
 Total assets.	 16,840,081
Liabilities:	
Accounts payable.	28,767
Accrued wages and benefits	790,553
Pension obligation payable.	148,050
Intergovernmental payable	33,707
Unearned revenue	3,615,730
Accrued interest payable	34,408
Long-term liabilities:	
Due within one year.	746,559
Due within more than one year	10,605,163
 Total liabilities	 16,002,937
Net Assets:	
Invested in capital assets, net of related debt.	(840,420)
Restricted for:	
Capital projects	375,814
Debt service.	1,241,462
Locally funded programs	379
State funded programs.	15,362
Student activities	13,813
Other purposes	13,140
Unrestricted	17,594
 Total net assets.	 \$ 837,144

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, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,461,097	\$ 683,762	\$ 126,079	\$ 2,403	\$ (3,648,853)
Special	1,221,385	-	526,498	-	(694,887)
Other	73,268	-	2,923	-	(70,345)
Support services:					
Pupil	282,285	-	3,364	-	(278,921)
Instructional staff	208,498	-	10,168	-	(198,330)
Board of education	19,193	-	-	-	(19,193)
Administration	707,688	50,660	9,653	-	(647,375)
Fiscal	339,985	-	3,135	-	(336,850)
Operations and maintenance	714,306	6,872	-	-	(707,434)
Pupil transportation	289,855	24,556	-	6,663	(258,636)
Operation of non-instructional services:					
Food service operations	305,559	148,129	145,283	-	(12,147)
Extracurricular activities	346,286	188,063	13,371	-	(144,852)
Intergovernmental pass-through	167,868	-	153,033	-	(14,835)
Interest and fiscal charges	534,051	-	-	-	(534,051)
Total governmental activities	\$ 9,671,324	\$ 1,102,042	\$ 993,507	\$ 9,066	(7,566,709)

General Revenues:

Property taxes levied for:	
General purposes	3,070,785
Debt service	300,678
Capital projects	533,155
School district income tax	1,406,939
Grants and entitlements not restricted to specific programs	2,540,749
Investment earnings	207,960
Miscellaneous	67,805
Total general revenues	8,128,071
Change in net assets	561,362
Net assets at beginning of year (restated)	275,782
Net assets at end of year	\$ 837,144

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<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	\$ 1,738,396	\$ 224,236	\$ 339,911	\$ 92,395	\$ 2,394,938
Cash with fiscal agent.	-	10	-	-	10
Receivables:					
Taxes	4,006,053	232,551	644,095	-	4,882,699
Accounts	417	-	-	-	417
Accrued interest	17,075	-	-	-	17,075
Interfund loan receivable	9,000	-	-	-	9,000
Intergovernmental	-	-	-	35,604	35,604
Prepayments	4,788	-	-	-	4,788
Materials and supplies inventory	-	-	-	7,358	7,358
Restricted assets:					
Equity in pooled cash and cash equivalents.	13,140	979,320	-	-	992,460
Total assets	<u>\$ 5,788,869</u>	<u>\$ 1,436,117</u>	<u>\$ 984,006</u>	<u>\$ 135,357</u>	<u>\$ 8,344,349</u>
Liabilities:					
Accounts payable	\$ 24,141	\$ -	\$ -	\$ 4,626	\$ 28,767
Accrued wages and benefits	760,744	-	-	29,809	790,553
Compensated absences payable	108,110	-	-	-	108,110
Pension obligation payable	137,745	-	-	10,305	148,050
Intergovernmental payable	32,317	-	-	1,390	33,707
Interfund loan payable	-	-	-	9,000	9,000
Deferred revenue.	447,689	33,655	59,685	10,693	551,722
Unearned revenue.	2,847,291	193,512	574,927	-	3,615,730
Total liabilities	<u>4,358,037</u>	<u>227,167</u>	<u>634,612</u>	<u>65,823</u>	<u>5,285,639</u>
Fund Balances:					
Reserved for encumbrances	55,934	-	-	10,457	66,391
Reserved for materials and supplies inventory.	-	-	-	7,358	7,358
Reserved for prepayments	4,788	-	-	-	4,788
Reserved for property tax unavailable for appropriation	52,251	5,303	9,404	-	66,958
Reserved for debt service	-	1,203,647	-	-	1,203,647
Reserved for school bus purchase	13,140	-	-	-	13,140
Unreserved, undesignated reported in:					
General fund	1,304,719	-	-	-	1,304,719
Special revenue funds	-	-	-	51,719	51,719
Capital projects funds	-	-	339,990	-	339,990
Total fund balances.	<u>1,430,832</u>	<u>1,208,950</u>	<u>349,394</u>	<u>69,534</u>	<u>3,058,710</u>
Total liabilities and fund balances	<u>\$ 5,788,869</u>	<u>\$ 1,436,117</u>	<u>\$ 984,006</u>	<u>\$ 135,357</u>	<u>\$ 8,344,349</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, 2007

Total governmental fund balances		\$	3,058,710
<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.			8,172,323
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	534,834	
Intergovernmental revenue		10,693	
Accrued interest		6,195	
Total			551,722
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.			332,409
Accrued interest payable is not due and payable within the current period and is therefore not reported in the funds.			(34,408)
Long-term liabilities, including bonds, loans, notes and certificates of participation, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(620,459)	
Capital lease obligation		(77,970)	
General obligation bonds payable		(500,000)	
Loans payable		(299,674)	
Notes payable		(128,000)	
Certificates of participation		(9,617,509)	(11,243,612)
Total			\$ 837,144
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, 2007

	<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	\$ 3,021,567	\$ 292,214	\$ 518,143	\$ -	\$ 3,831,924
Income taxes	1,406,939	-	-	-	1,406,939
Intergovernmental - state	2,601,676	34,225	78,945	200,874	2,915,720
Intergovernmental - federal	-	-	-	550,376	550,376
Interest	150,471	59,143	-	-	209,614
Charges for services	-	-	-	148,129	148,129
Extracurricular	-	-	-	217,347	217,347
Tuition and fees	683,762	-	-	-	683,762
Transportation fees	24,556	-	-	-	24,556
Classroom materials and fees	21,376	-	-	-	21,376
Other local revenue	74,677	600,486	2,403	64,130	741,696
Total revenue	<u>7,985,024</u>	<u>986,068</u>	<u>599,491</u>	<u>1,180,856</u>	<u>10,751,439</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,205,788	-	20,183	113,134	4,339,105
Special	830,527	-	-	360,644	1,191,171
Other	66,328	-	-	-	66,328
Support services:					
Pupil	265,933	-	-	4,184	270,117
Instructional staff	193,970	-	-	10,165	204,135
Board of education	19,193	-	-	-	19,193
Administration	635,613	-	-	59,969	695,582
Fiscal	329,641	-	-	6,056	335,697
Operations and maintenance	638,046	-	-	-	638,046
Pupil transportation	262,437	-	-	-	262,437
Operation of non-instructional services:					
Food service operations	-	-	-	294,909	294,909
Extracurricular activities	148,109	-	-	188,890	336,999
Intergovernmental pass-through	-	-	-	167,868	167,868
Facilities acquisition and construction	90,844	-	686,049	-	776,893
Debt service:					
Principal retirement	9,000	518,000	38,442	-	565,442
Interest and fiscal charges	3,425	421,141	15,766	-	440,332
Total expenditures	<u>7,698,854</u>	<u>939,141</u>	<u>760,440</u>	<u>1,205,819</u>	<u>10,604,254</u>
Net change in fund balances	286,170	46,927	(160,949)	(24,963)	147,185
Fund balances at beginning 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>
Fund balances at end of year	<u>\$ 1,430,832</u>	<u>\$ 1,208,950</u>	<u>\$ 349,394</u>	<u>\$ 69,534</u>	<u>\$ 3,058,710</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, 2007

Net change in fund balances - total governmental funds	\$	147,185
<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	\$ 165,771	
Current year depreciation	<u>(243,879)</u>	
Total		(78,108)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	72,694	
Intergovernmental	10,693	
Interest	<u>(1,654)</u>	
Total		81,733
Repayment of bonds, certificates of participation, notes, loans, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		565,442
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	2,234	
Accreted interest on capital appreciation bonds	<u>(95,953)</u>	
Total		(93,719)
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.		
		(43,733)
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>(17,438)</u>
Change in net assets of governmental activities	\$	<u><u>561,362</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, 2007

	<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	\$ 2,964,448	\$ 3,129,722	\$ 3,129,722	\$ -
Income taxes	1,245,972	1,315,437	1,315,437	-
Tuition and fees	647,226	683,310	683,762	452
Transportation fees.	23,680	25,000	24,556	(444)
Interest	127,871	135,000	131,731	(3,269)
Classroom materials and fees	20,317	21,450	21,376	(74)
Miscellaneous	70,395	74,320	74,259	(61)
Intergovernmental - state	2,464,411	2,601,807	2,601,675	(132)
Total revenue	<u>7,564,320</u>	<u>7,986,046</u>	<u>7,982,518</u>	<u>(3,528)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,910,313	4,103,130	4,081,909	21,221
Special.	833,398	874,493	852,785	21,708
Other.	57,316	60,142	59,362	780
Support services:				
Pupil.	252,678	265,138	259,509	5,629
Instructional staff	201,073	210,988	196,599	14,389
Board of education	18,162	19,058	17,845	1,213
Administration.	613,558	643,812	628,300	15,512
Fiscal	312,821	328,246	324,621	3,625
Operations and maintenance.	621,427	652,069	661,994	(9,925)
Pupil transportation	255,446	268,042	263,814	4,228
Extracurricular activities.	136,746	143,489	147,705	(4,216)
Facility acquisition and construction.	86,575	90,844	90,844	-
Debt service:				
Principal retirement	9,000	9,000	9,000	-
Interest and fiscal charges	3,425	3,425	3,425	-
Total expenditures	<u>7,311,938</u>	<u>7,671,876</u>	<u>7,597,712</u>	<u>74,164</u>
Excess of revenues over expenditures.	<u>252,382</u>	<u>314,170</u>	<u>384,806</u>	<u>70,636</u>
Other financing sources (uses):				
Refund of prior year expenditure.	-	373	373	-
Advances (out)	(19,693)	(19,693)	(9,000)	10,693
Total other financing sources (uses).	<u>(19,693)</u>	<u>(19,320)</u>	<u>(8,627)</u>	<u>10,693</u>
Net change in fund balance	232,689	294,850	376,179	81,329
Fund balance at beginning of year.	1,288,503	1,288,503	1,288,503	-
Prior year encumbrances appropriated	20,058	20,058	20,058	-
Fund balance at end of year	<u>\$ 1,541,250</u>	<u>\$ 1,603,411</u>	<u>\$ 1,684,740</u>	<u>\$ 81,329</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, 2007

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 332,409
Total assets	<u>332,409</u>
Net assets:	
Unrestricted.	332,409
Total net assets	<u>\$ 332,409</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, 2007

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Sales/charges for services	\$ 340
Total operating revenues	<u>340</u>
Operating expenses:	
Personal services.	2,280
Purchased services.	6,616
Other.	8,882
Total operating expenses	<u>17,778</u>
Operating loss/change in net assets	(17,438)
Net assets at beginning of year (restated) . .	<u>349,847</u>
Net assets at end of year.	<u><u>\$ 332,409</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, 2007

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 340
Cash payments for personal services	(2,280)
Cash payments for claims expense.	(3,353)
Cash payments for purchased services.	(6,616)
Cash payments for other expenses	(8,882)
	(20,791)
Net cash used in operating activities	(20,791)
Cash and cash equivalents at beginning of year . . .	353,200
Cash and cash equivalents at end of year.	\$ 332,409
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (17,438)
Changes in assets and liabilities:	
Decrease in claims payable	(3,353)
	(3,353)
Net cash used in operating activities	\$ (20,791)

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, 2007

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 28,454
Total assets.	<u>\$ 28,454</u>
Liabilities:	
Due to students	\$ 28,454
Total liabilities	<u>\$ 28,454</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 City of Columbiana and portions of Fairfield, Beaver and Springfield Townships. The District is staffed by 37 non-certificated employees, 66 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,039 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 organization's governing 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 a blended component unit, the Columbiana Exempted Village School District Leasing Corporation. 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, 2007

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

BLENDED COMPONENT UNIT

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. This activity is shown in the debt service fund. 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, 2007

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, 2007

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, 2007**

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 6).

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COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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, income tax, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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, is 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, 2007**

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 original and final Certificates of Estimated Resources issued during fiscal year 2007.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

4. Lapsing of Appropriations

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

F. Cash and Investments

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

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 2007, 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 2007. 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, 2007.

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 2007 amounted to \$150,471, which includes \$62,136 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, 2007

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 loan 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, 2007, 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, 2007**

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, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund 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 17).

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

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, 2007**

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. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund including claims and administrative expenses.

S. 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 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Net Assets

Net assets of the internal service fund and governmental activities have been restated to correct the amount of claims payable at June 30, 2006. The adjustment for claims payable had the following effect on fund balances as previously reported at June 30, 2006:

	Internal Service Fund	Governmental Activities
Net assets, June 30, 2006	\$ 268,235	\$ 194,170
Adjustment for claims liability	81,612	81,612
Restated net assets, June 30, 2006	\$ 349,847	\$ 275,782

B. Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

	Deficit
<u>Nonmajor Funds</u>	
Management Information Systems	\$ 22
Poverty Aid	74
Idea Part B Grants	39
Title I	2,230
Improving Teacher Quality	134

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies are 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;
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 items (1) and (2) above 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.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$10 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".

C. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$860,610, exclusive of the \$364,000 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, 2007, \$786,929 of the District's bank balance of \$985,929 was exposed to custodial risk as discussed below, while \$199,000 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, 2007, 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>Greater than 24 months</u>
FHLB	\$ 548,720	\$ 299,720	\$ -	\$ -	\$ 249,000
FHLMC	249,438	-	-	249,438	-
FNMA	298,970	-	99,094	-	199,876
FNMA DN	978,523	978,523	-	-	-
U.S. Treasury Money Market	127,628	127,628	-	-	-
Repurchase Agreement	364,000	364,000	-	-	-
Star Ohio	319,822	319,822	-	-	-
	<u>\$ 2,887,101</u>	<u>\$ 2,089,693</u>	<u>\$ 99,094</u>	<u>\$ 249,438</u>	<u>\$ 448,876</u>

The weighted average maturity of investments is .53 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 548,720	19.01
FHLMC	249,438	8.64
FNMA	298,970	10.36
FNMA DN	978,523	33.88
U.S. Government Money Market	127,628	4.42
Repurchase Agreement	364,000	12.61
Star Ohio	319,822	11.08
	<u>\$ 2,887,101</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments 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, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 860,610
Investments	2,887,101
Cash on hand	550
Cash with fiscal agent	10
Total	<u>\$ 3,748,271</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,719,817
Agency fund	28,454
Total	<u>\$ 3,748,271</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2007, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 9,000
	Total	<u>\$ 9,000</u>

The interfund loans were necessitated to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the statement of net assets.

NOTE 6 - 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of January 1, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Columbiana and Mahoning Counties. The County Auditors periodically advance to the District their portions of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 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, 2007 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 unearned revenue.

The amount available as an advance at June 30, 2007 was \$52,251 in the general fund, \$5,303 in the debt service fund, and \$9,404 in the permanent improvement fund. The amount that was 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.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	<u>2006 Second Half Collections</u>		<u>2007 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 142,038,310	89.26	\$ 146,522,860	90.33
Public utility personal	5,324,930	3.35	4,695,780	2.90
Tangible personal property	<u>11,757,640</u>	<u>7.39</u>	<u>10,982,474</u>	<u>6.77</u>
Total	<u>\$ 159,120,880</u>	<u>100.00</u>	<u>\$ 162,201,114</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$32.50		\$32.50	

NOTE 7 - 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 2007 was \$1,406,939.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007 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	\$ 4,882,699
Accounts	417
Intergovernmental	35,604
Accrued interest	<u>17,075</u>
Total	<u>\$ 4,935,795</u>

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance 07/01/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/07</u>
<i>Governmental Activities</i>				
<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	150,429	-	10,538,810
Furniture and equipment	228,532	15,342	-	243,874
Vehicles	<u>366,012</u>	<u>-</u>	<u>-</u>	<u>366,012</u>
Total capital assets, being depreciated	<u>11,032,336</u>	<u>165,771</u>	<u>-</u>	<u>11,198,107</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(49,411)	-	-	(49,411)
Buildings and improvements	(2,596,956)	(202,423)	-	(2,799,379)
Furniture and equipment	(154,700)	(16,322)	-	(171,022)
Vehicles	<u>(158,615)</u>	<u>(25,134)</u>	<u>-</u>	<u>(183,749)</u>
Total accumulated depreciation	<u>(2,959,682)</u>	<u>(243,879)</u>	<u>-</u>	<u>(3,203,561)</u>
Governmental activities capital assets, net	<u>\$ 8,250,431</u>	<u>\$ (78,108)</u>	<u>\$ -</u>	<u>\$ 8,172,323</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 129,796
Special	5,960
<u>Support Services:</u>	
Pupil	5,436
Instructional staff	7,923
Administration	4,340
Fiscal	1,548
Operations and maintenance	47,922
Pupil transportation	25,134
Extracurricular activities	9,287
Food service operations	<u>6,533</u>
Total depreciation expense	<u>\$ 243,879</u>

NOTE 10 - 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. Accumulated depreciation as of June 30, 2007 was \$24,682, leaving a current book value of \$76,288. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$9,000 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, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 12,036
2009	11,717
2010	11,384
2011	12,006
2012	11,590
2013 - 2016	<u>35,219</u>
Total minimum lease payments	93,952
Less amount representing interest	<u>(15,982)</u>
Total	<u>\$ 77,970</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>07/01/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/07</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Income tax anticipation notes	\$ 256,000	\$ -	\$ (128,000)	\$ 128,000	\$ 128,000
Library bonds	610,000	-	(110,000)	500,000	115,000
Energy conservation loan	338,116	-	(38,442)	299,674	40,310
Certificate of participation	9,801,556	95,953	(280,000)	9,617,509	320,000
Capital lease obligation	86,970	-	(9,000)	77,970	9,000
Compensated absences	<u>661,801</u>	<u>158,712</u>	<u>(91,944)</u>	<u>728,569</u>	<u>134,249</u>
Total long-term obligations, governmental activities	<u>\$ 11,754,443</u>	<u>\$ 254,665</u>	<u>\$ (657,386)</u>	<u>\$ 11,351,722</u>	<u>\$ 746,559</u>

Compensated absences will be paid from the fund from which the employee is paid, which, for the District, is the general fund, the food service fund (a nonmajor governmental fund), the auxiliary services fund (a nonmajor governmental fund), and the Title I fund (a nonmajor governmental fund).

The capital lease obligation is further described in Note 10. 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>
2008	\$ <u>128,000</u>	\$ <u>3,584</u>	\$ <u>131,584</u>
Total	\$ <u>128,000</u>	\$ <u>3,584</u>	\$ <u>131,584</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 500,000</u>	<u>\$ 57,916</u>	<u>\$ 557,916</u>

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

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

Fiscal <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	48,731	5,485	54,216
2013 - 2014	<u>77,570</u>	<u>3,753</u>	<u>81,323</u>
Total	<u>\$ 299,674</u>	<u>\$ 52,729</u>	<u>\$ 352,403</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 were mainly 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 certificates are comprised of both current interest certificates, par value \$8,290,000, and capital appreciation certificates, par value \$1,409,774. The accreted value at maturity for the capital appreciation bonds is \$2,715,000. Total accreted interest of \$682,735 has been included in the statement of net assets at June 30, 2007.

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

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

The following is a schedule of activity for fiscal year 2007 on the 1999 Certificates of Participation:

	Balance Outstanding <u>07/01/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/07</u>	Amounts Due in <u>One Year</u>
Current interest certificates	\$ 7,805,000	\$ -	\$ (280,000)	\$ 7,525,000	\$ 320,000
Capital appreciation certificates	1,409,774	-	-	1,409,774	-
Capital appreciation certificates - accreted interest	<u>586,782</u>	<u>95,953</u>	<u>-</u>	<u>682,735</u>	<u>-</u>
Total	<u>\$ 9,801,556</u>	<u>\$ 95,953</u>	<u>\$ (280,000)</u>	<u>\$ 9,617,509</u>	<u>\$ 320,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending	Current Interest Certificates			Capital Appreciation Certificates		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	280,028	224,972	505,000
2013 - 2017	1,360,000	582,121	1,942,121	855,285	884,715	1,740,000
2018 - 2022	4,070,000	786,720	4,856,720	-	-	-
2023	950,000	24,463	974,463	-	-	-
Total	<u>\$ 7,525,000</u>	<u>\$ 2,446,336</u>	<u>\$ 9,971,336</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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$4,842,247 (including available funds of \$1,208,950) and an unvoted debt margin of \$149,953.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - 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 2007, 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)	\$15,371,924
Inland Marine Coverage (\$100 deductible)	75,000
Schedule Property (\$250 deductible)	767,950
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. Employee Medical, Dental and Vision Benefits

Effective July 1, 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.

Prior to July 1, 2006, the District offered vision and dental insurance through a self-insurance fund. Fiscal year 2006 amounts have been restated as described in Note 3.A. Changes in the internal service fund’s claims liability amounts for fiscal years 2007 and 2006 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>
2007	\$ 3,353	\$ -	\$ (3,353)	\$ -
2006 (restated)	57,177	71,967	(125,791)	3,353

C. Workers’ Compensation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - RISK MANAGEMENT - (Continued)

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to districts that can meet the Plan's selection criteria. The firm of The Sheakley Group of Companies provides administrative, cost control and actuarial services to the Plan.

NOTE 13 - 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 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. 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, 2007, 2006, and 2005 were \$79,980, \$82,285, and \$76,266, respectively; 52.97 percent has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$37,615 represents the unpaid contribution for fiscal year 2007.

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, or by visiting the STRS Ohio website at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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, 2007, 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. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. 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, 2007, 2006, and 2005 were \$472,849, \$439,409, and \$422,472, respectively; 83.64 percent has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$77,376 represents the unpaid contribution for fiscal year 2007. Contributions to the DC and Combined Plans for fiscal 2007 were \$1,563 made by the District and \$5,612 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$36,373 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 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.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$38,872 to fund health care benefits, including the surcharge.

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 the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 15 - 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	\$ 376,179
Net adjustment for revenue accruals	2,506
Net adjustment for expenditure accruals	(177,568)
Net adjustment for other sources/uses	8,627
Adjustment for encumbrances	<u>76,426</u>
GAAP basis	<u>\$ 286,170</u>

NOTE 16 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 – CONTINGENCIES – (Continued)

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 17 - 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 balance as of June 30, 2006	\$ (17,834)	\$ -
Current year set-aside requirement	151,009	151,009
Current year offsets	-	(616,889)
Qualifying disbursements	<u>(230,856)</u>	<u>(95,162)</u>
 Total	 <u>\$ (97,681)</u>	 <u>\$ (561,042)</u>
 Balance carried forward to FY 2008	 <u>\$ (97,681)</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.

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, 2007 follows:

Amount restricted for Certificates of Participation	\$ 979,320
Amount restricted for school bus purchases	<u>13,140</u>
Total restricted assets	<u>\$ 992,460</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 18 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

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

NOTE 19 – FISCAL CAUTION

On March 16, 2007, the District was declared in fiscal caution by the State Department of Education due to projected deficits. The District's current five-year forecast reflects a projected deficit fund balance in fiscal year 2009. The District will address this issue through staffing and monitoring expenses. The State Department of Education continues to monitor the District's financial activity.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550		\$24,661		\$24,661
Nutrition Cluster:						
National School Breakfast Program	2006 05-PU 2007 05-PU	10.553	2,301 19,758		2,301 19,758	
Total National School Breakfast Program			<u>22,059</u>		<u>22,059</u>	
National School Lunch Program	2006 LL-P4 2007 LL-P4	10.555	11,618 76,091		11,618 76,091	
Total National School Lunch Program			<u>87,709</u>		<u>87,709</u>	
Total Nutrition Cluster			<u>109,768</u>		<u>109,768</u>	
Total U.S. Department of Agriculture			<u>109,768</u>	<u>24,661</u>	<u>109,768</u>	<u>24,661</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 2006 C1-S1 2007	84.010	8,421 112,268		14,805 94,136	
Total Title I Grants to Local Educational Agencies			<u>120,689</u>		<u>108,941</u>	
IDEA - Part B Grant	6B-SF-2007	84.027	244,142		244,142	
Title V - Innovation Program Grant	C2-S1 2007	84.298	1,636		1,636	
Drug Free School Grant	DR-S1 2006 DR-S1 2007	84.186	408 3,868		842 3,868	
Total Drug Free School Grant			<u>4,276</u>		<u>4,710</u>	
Title II-A Grant	TR-S1-2007	84.367	40,852		40,852	
Early Childhood Special Education	PG-S1 2007	84.173	5,577		5,577	
Title II-D Grant	TJ-S1 2007	84.318	1,168		1,168	
Total Department of Education			<u>418,340</u>		<u>407,026</u>	
Total Federal Receipts and Expenditures			<u>\$528,108</u>	<u>\$24,661</u>	<u>\$516,794</u>	<u>\$24,661</u>

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, 2007**

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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

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. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 31, 2008



Mary Taylor, CPA

Auditor of State

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

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 each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. 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 each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 31, 2008

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

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I (CFDA# 84.010) Nutrition Cluster (10.553 & 10.555)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	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 12, 2008**