



**Auditor of State
Betty Montgomery**

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types.....	8
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – All Proprietary Fund Types	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Budget and Actual (Budget Basis) – All Proprietary Fund Types.....	12
Combined Statement of Cash Flows – All Proprietary Fund Types.....	14
Notes to the General-Purpose Financial Statements	15
Schedule of Federal Awards Expenditures.....	37
Notes to the Schedule of Federal Awards Expenditures	38
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Accounting Standards</i>	39
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	41
Schedule of Findings.....	43

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Columbiana Exempted Village School District
Columbiana County
700 Columbiana-Waterford Road
Columbiana, OH 44408

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Columbiana Exempted Village School District, Columbiana County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Columbiana Exempted Village School District, Columbiana County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 November 12, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

November 12, 2003

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Columbiana Exempted Village School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and				
Cash Equivalents	\$786,106	\$44,880	\$65,092	\$890,875
Cash and Cash Equivalents with Fiscal Agents	0	0	28,660	0
Receivables:				
Taxes	3,027,871	0	264,628	469,556
Intergovernmental	0	3,241	0	0
Interfund	1,501	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,693	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	979,097	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service				
Fund to Retire Long-Term Debt	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$3,840,171</u>	<u>\$48,121</u>	<u>\$1,337,477</u>	<u>\$1,360,431</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$21,496	\$6,201	\$0	\$0
Accrued Wages	605,464	0	0	0
Compensated Absences Payable	65,943	0	0	0
Interfund Payable	0	1,501	0	0
Intergovernmental Payable	121,461	5,459	0	0
Deferred Revenue	3,027,871	1,774	264,628	469,556
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
Certificates of Participation Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>3,842,235</u>	<u>14,935</u>	<u>264,628</u>	<u>469,556</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	9,702	6,646	0	39,145
Reserved for Debt Service Principal	0	0	979,097	0
Reserved for Bus Purchase	24,693	0	0	0
Unreserved:				
Undesignated	(36,459)	26,540	93,752	851,730
Total Fund Equity and Other Credits	<u>(2,064)</u>	<u>33,186</u>	<u>1,072,849</u>	<u>890,875</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,840,171</u>	<u>\$48,121</u>	<u>\$1,337,477</u>	<u>\$1,360,431</u>

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

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$6,578	\$229,567	\$20,874	\$0	\$0	\$2,043,972
0	0	0	0	0	28,660
0	0	0	0	0	3,762,055
10,430	0	0	0	0	13,671
0	0	0	0	0	1,501
4,774	0	0	0	0	4,774
548	0	0	0	0	548
0	0	0	0	0	24,693
0	0	0	0	0	979,097
70,199	0	0	12,385,793	0	12,455,992
0	0	0	0	1,072,849	1,072,849
0	0	0	0	11,563,728	11,563,728
<u>\$92,529</u>	<u>\$229,567</u>	<u>\$20,874</u>	<u>\$12,385,793</u>	<u>\$12,636,577</u>	<u>\$31,951,540</u>
\$0	\$0	\$0	\$0	\$0	\$27,697
10,980	0	0	0	0	616,444
5,993	0	0	0	584,152	656,088
0	0	0	0	0	1,501
8,234	0	0	0	55,250	190,404
4,774	0	0	0	0	3,768,603
0	0	20,874	0	0	20,874
0	74,168	0	0	0	74,168
0	0	0	0	443,083	443,083
0	0	0	0	10,024,092	10,024,092
0	0	0	0	1,530,000	1,530,000
<u>29,981</u>	<u>74,168</u>	<u>20,874</u>	<u>0</u>	<u>12,636,577</u>	<u>17,352,954</u>
0	0	0	12,385,793	0	12,385,793
211,140	0	0	0	0	211,140
(148,592)	155,399	0	0	0	6,807
0	0	0	0	0	55,493
0	0	0	0	0	979,097
0	0	0	0	0	24,693
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>935,563</u>
<u>62,548</u>	<u>155,399</u>	<u>0</u>	<u>12,385,793</u>	<u>0</u>	<u>14,598,586</u>
<u>\$92,529</u>	<u>\$229,567</u>	<u>\$20,874</u>	<u>\$12,385,793</u>	<u>\$12,636,577</u>	<u>\$31,951,540</u>

**Columbiana Exempted Village School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Revenues:					
Taxes	\$3,075,441	\$0	\$185,382	\$574,210	\$3,835,033
Income Taxes	\$63,062	0	0	0	63,062
Intergovernmental	2,540,935	466,804	22,397	93,142	3,123,278
Interest	68,586	35	57,733	0	126,354
Tuition and Fees	463,646	0	0	0	463,646
Rent	18,532	0	0	0	18,532
Extracurricular Activities	0	173,998	0	0	173,998
Gifts and Donations	3,132	15,769	0	1,133	20,034
Miscellaneous	9,034	10	0	0	9,044
Total Revenues	<u>6,242,368</u>	<u>656,616</u>	<u>265,512</u>	<u>668,485</u>	<u>7,832,981</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,439,121	140,529	0	0	3,579,650
Special	946,204	192,718	0	0	1,138,922
Vocational	135,656	0	0	0	135,656
Support Services:					
Pupils	326,147	19,116	0	0	345,263
Instructional Staff	275,464	43,927	0	0	319,391
Board of Education	25,417	0	0	0	25,417
Administration	602,088	43,428	0	0	645,516
Fiscal	318,307	17,740	0	0	336,047
Operation and Maintenance of Plant	588,230	135	0	0	588,365
Pupil Transportation	267,336	0	0	0	267,336
Non-Instructional Services	0	1,298	0	0	1,298
Extracurricular Activities	136,952	164,049	0	0	301,001
Capital Outlay	52,443	52,631	0	720,748	825,822
Debt Service:					
Principal Retirement	0	0	115,368	0	115,368
Interest and Fiscal Charges	0	0	127,262	0	127,262
Total Expenditures	<u>7,113,365</u>	<u>675,571</u>	<u>242,630</u>	<u>720,748</u>	<u>8,752,314</u>
Excess of Revenues Over (Under) Expenditures	<u>(870,997)</u>	<u>(18,955)</u>	<u>22,882</u>	<u>(52,263)</u>	<u>(919,333)</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Long-Term Notes	640,000	0	0	0	640,000
Total Other Financing Sources	<u>640,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>640,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(230,997)</u>	<u>(18,955)</u>	<u>22,882</u>	<u>(52,263)</u>	<u>(279,333)</u>
Fund Balances at Beginning of Year	<u>228,933</u>	<u>52,141</u>	<u>1,049,967</u>	<u>943,138</u>	<u>2,274,179</u>
Fund Balances at End of Year	<u>(\$2,064)</u>	<u>\$33,186</u>	<u>\$1,072,849</u>	<u>\$890,875</u>	<u>\$1,994,846</u>

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

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Columbiana Exempted Village School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$3,084,169	\$3,075,441	(\$8,728)	\$0	\$0	\$0
Income Tax	77,100	63,062	(14,038)	0	0	0
Intergovernmental	2,547,127	2,540,935	(6,192)	467,112	465,336	(1,776)
Interest	80,000	68,586	(11,414)	100	35	(65)
Tuition and Fees	463,339	463,646	307	0	0	0
Rent	12,000	18,532	6,532	0	0	0
Extracurricular Activities	0	0	0	170,707	173,998	3,291
Gifts and Donations	3,200	3,132	(68)	17,795	15,769	(2,026)
Miscellaneous	8,500	9,034	534	10	10	0
Total Revenues	6,275,435	6,242,368	(33,067)	655,724	655,148	(576)
Expenditures:						
Current:						
Instruction:						
Regular	3,443,302	3,362,758	80,544	144,197	148,702	(4,505)
Special	964,364	935,090	29,274	204,620	206,390	(1,770)
Vocational	141,892	137,630	4,262	0	0	0
Support Services:						
Pupils	342,287	323,877	18,410	18,854	19,146	(292)
Instructional Staff	295,459	274,823	20,636	45,639	43,868	1,771
Board of Education	28,465	25,430	3,035	0	0	0
Administration	627,218	601,460	25,758	41,040	43,428	(2,388)
Fiscal	324,914	310,353	14,561	21,764	18,062	3,702
Operation and Maintenance of Plant	623,080	602,043	21,037	135	135	0
Pupil Transportation	281,439	269,401	12,038	0	0	0
Non-Instructional Services	0	0	0	1,298	1,298	0
Extracurricular Activities	148,250	137,241	11,009	169,343	165,712	3,631
Capital Outlay	0	52,443	(52,443)	52,631	52,631	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	7,220,670	7,032,549	188,121	699,521	699,372	149
Excess of Revenues Over (Under) Expenditures	(945,235)	(790,181)	155,054	(43,797)	(44,224)	(427)
Other Financing Sources:						
Proceeds from Sale of Long-Term Notes	640,000	640,000	0	0	0	0
Advances In	0	0	0	0	1,501	1,501
Advances Out	0	(1,501)	(1,501)	0	0	0
Total Other Financing Sources	640,000	638,499	(1,501)	0	1,501	1,501
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(305,235)	(151,682)	153,553	(43,797)	(42,723)	1,074
Fund Balances at Beginning of Year	880,917	880,917	0	74,221	74,221	0
Prior Year Encumbrances Appropriated	68,198	68,198	0	6,735	6,735	0
Fund Balances at End of Year	\$643,880	\$797,433	\$153,553	\$37,159	\$38,233	\$1,074

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

Debt Service Fund			Capital Projects Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$185,083	\$185,382	\$299	\$573,648	\$574,210	\$562	\$3,842,900	\$3,835,033	(\$7,867)
0	0	0	0	0	0	77,100	63,062	(14,038)
22,448	22,397	(51)	93,142	93,142	0	3,129,829	3,121,810	(8,019)
0	0	0	1,000	0	(1,000)	81,100	68,621	(12,479)
0	0	0	0	0	0	463,339	463,646	307
0	0	0	0	0	0	12,000	18,532	6,532
0	0	0	0	0	0	170,707	173,998	3,291
0	0	0	1,416	1,416	0	22,411	20,317	(2,094)
0	0	0	0	0	0	8,510	9,044	534
<u>207,531</u>	<u>207,779</u>	<u>248</u>	<u>669,206</u>	<u>668,768</u>	<u>(438)</u>	<u>7,807,896</u>	<u>7,774,063</u>	<u>(33,833)</u>
0	0	0	0	0	0	3,587,499	3,511,460	76,039
0	0	0	0	0	0	1,168,984	1,141,480	27,504
0	0	0	0	0	0	141,892	137,630	4,262
0	0	0	0	0	0	361,141	343,023	18,118
0	0	0	0	0	0	341,098	318,691	22,407
0	0	0	0	0	0	28,465	25,430	3,035
0	0	0	0	0	0	668,258	644,888	23,370
0	0	0	0	0	0	346,678	328,415	18,263
0	0	0	0	0	0	623,215	602,178	21,037
0	0	0	0	0	0	281,439	269,401	12,038
0	0	0	0	0	0	1,298	1,298	0
0	0	0	0	0	0	317,593	302,953	14,640
0	0	0	565,887	891,831	(325,944)	618,518	996,905	(378,387)
116,140	115,368	772	0	0	0	116,140	115,368	772
69,446	69,448	(2)	0	0	0	69,446	69,448	(2)
<u>185,586</u>	<u>184,816</u>	<u>770</u>	<u>565,887</u>	<u>891,831</u>	<u>(325,944)</u>	<u>8,671,664</u>	<u>8,808,568</u>	<u>(136,904)</u>
<u>21,945</u>	<u>22,963</u>	<u>1,018</u>	<u>103,319</u>	<u>(223,063)</u>	<u>(326,382)</u>	<u>(863,768)</u>	<u>(1,034,505)</u>	<u>(170,737)</u>
0	0	0	0	0	0	640,000	640,000	0
0	0	0	0	0	0	0	1,501	1,501
0	0	0	0	0	0	0	(1,501)	(1,501)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>640,000</u>	<u>640,000</u>	<u>0</u>
21,945	22,963	1,018	103,319	(223,063)	(326,382)	(223,768)	(394,505)	(170,737)
42,129	42,129	0	605,663	605,663	0	1,602,930	1,602,930	0
0	0	0	469,130	469,130	0	544,063	544,063	0
<u>\$64,074</u>	<u>\$65,092</u>	<u>\$1,018</u>	<u>\$1,178,112</u>	<u>\$851,730</u>	<u>(\$326,382)</u>	<u>\$1,923,225</u>	<u>\$1,752,488</u>	<u>(\$170,737)</u>

**Columbiana Exempted Village School District
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2003**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues:			
Sales	\$122,210	\$0	\$122,210
Charges for Services	0	944,991	944,991
Total Operating Revenues	<u>122,210</u>	<u>944,991</u>	<u>1,067,201</u>
Operating Expenses:			
Salaries	79,412	0	79,412
Fringe Benefits	54,554	0	54,554
Purchased Services	1,234	253,181	254,415
Cost of Sales	80,613	0	80,613
Claims	0	724,358	724,358
Depreciation	4,645	0	4,645
Total Operating Expenses	<u>220,458</u>	<u>977,539</u>	<u>1,197,997</u>
Operating Income (Loss)	<u>(98,248)</u>	<u>(32,548)</u>	<u>(130,796)</u>
Non-Operating Revenues (Expenses):			
Other Financing Uses	616	0	616
Donated Commodities	21,218	0	21,218
Operating Grants	75,859	0	75,859
Loss on Sales of Fixed Assets	(62)	0	(62)
Total Non-Operating Revenues (Expenses)	<u>97,631</u>	<u>0</u>	<u>97,631</u>
Net Income (Loss)	(617)	(32,548)	(33,165)
Retained Earnings (Deficit) at Beginning of Year	<u>(147,975)</u>	<u>187,947</u>	<u>39,972</u>
Retained Earnings (Deficit) at End of Year	(148,592)	155,399	6,807
Contributed Capital at Beginning of Year	211,756	0	211,756
Capital Contributions During Year	(616)	0	(616)
Contributed Capital at End of Year	<u>211,140</u>	<u>0</u>	<u>211,140</u>
Total Fund Equity at End of Year	<u>\$62,548</u>	<u>\$155,399</u>	<u>\$217,947</u>

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

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**Columbiana Exempted Village School District
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2003**

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$125,000	\$122,210	(\$2,790)
Operating Grants	79,500	76,381	(3,119)
Charges for Services	0	0	0
Total Revenues	204,500	198,591	(5,909)
Expenses:			
Salaries	81,671	81,293	378
Fringe Benefits	56,204	50,048	6,156
Purchased Services	1,957	1,234	723
Materials and Supplies	58,208	59,438	(1,230)
Other	0	0	0
Capital Outlay	0	0	0
Total Expenses	198,040	192,013	6,027
Excess of Revenues Over Expenses	6,460	6,578	118
Fund Equity at Beginning of Year	0	0	0
Fund Equity at End of Year	\$6,460	\$6,578	\$118

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

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$125,000	\$122,210	(\$2,790)
0	0	0	79,500	76,381	(3,119)
<u>1,000,000</u>	<u>944,991</u>	<u>(55,009)</u>	<u>1,000,000</u>	<u>944,991</u>	<u>(55,009)</u>
<u>1,000,000</u>	<u>944,991</u>	<u>(55,009)</u>	<u>1,204,500</u>	<u>1,143,582</u>	<u>(60,918)</u>
0	0	0	81,671	81,293	378
0	0	0	56,204	50,048	6,156
250,800	253,181	(2,381)	252,757	254,415	(1,658)
0	0	0	58,208	59,438	(1,230)
635,000	683,801	(48,801)	635,000	683,801	(48,801)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>885,800</u>	<u>936,982</u>	<u>(51,182)</u>	<u>1,083,840</u>	<u>1,128,995</u>	<u>(45,155)</u>
114,200	8,009	(106,191)	120,660	14,587	(106,073)
221,558	221,558	0	221,558	221,558	0
<u>\$335,758</u>	<u>\$229,567</u>	<u>(\$106,191)</u>	<u>\$342,218</u>	<u>\$236,145</u>	<u>(\$106,073)</u>

**Columbiana Exempted Village School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2003**

	Enterprise	Internal Service	Totals (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$122,210	\$0	\$122,210
Cash Received from Quasi-External Transactions from Other Funds	0	944,991	944,991
Cash Payments to Suppliers for Goods and Services	(60,672)	(253,181)	(313,853)
Cash Payments to Employees for Services	(81,293)	0	(81,293)
Cash Payments for Employee Benefits	(50,048)	0	(50,048)
Cash Payments for Claims	0	(683,801)	(683,801)
Net Cash Provided by/(Used for) Operating Activities	(69,803)	8,009	(61,794)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	76,381	0	76,381
Net Cash Provided by Noncapital Financing Activities	76,381	0	76,381
Net Increase in Cash and Cash Equivalents	6,578	8,009	14,587
Cash and Cash Equivalents at Beginning of Year	0	221,558	221,558
Cash and Cash Equivalents at End of Year	\$6,578	\$229,567	\$236,145
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Income/(Loss)	(\$98,248)	(\$32,548)	(\$130,796)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	4,645	0	4,645
Donated Commodities Used During Year	21,218	0	21,218
Changes in Assets and Liabilities:			
Increase in Materials and Supplies Inventory	(43)	0	(43)
Decrease in Accrued Wages	(1,881)	0	(1,881)
Increase in Compensated Absences Payable	907	0	907
Increase in Intergovernmental Payable	3,599	0	3,599
Increase in Claims Payable	0	40,557	40,557
Total Adjustments	28,445	40,557	69,002
Net Cash Provided by/(Used for) Operating Activities	(\$69,803)	\$8,009	(\$61,794)

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

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1890 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 18 square miles. It is located in Columbiana and Mahoning Counties, and includes all of the Village of Columbiana and portions of Fairfield, Beaver and Springfield Townships. The School District is staffed by 43 non-certificated employees, 72 certificated full-time teaching personnel and 6 administrative employees who provide services to 1,000 students. The School District currently operates 3 instructional buildings and 1 bus garage.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Columbiana Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

Within the School District boundaries, Heartland Christian School is operated as a private school. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

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

Columbiana Exempted Village School District Leasing Corporation During FY99, 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 School 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 School District. Although the Leasing Corporation is a separate legal entity, the School District's financial statements include activity pertaining to the Certificates of Participation since the debt was issued on behalf of the School District. The Leasing Corporation has assigned its duties to a Trustee to handle the finances.

The School District is associated with two jointly governed organizations, one related organization, and one public entity pool. These organizations include the Columbiana County Career Center, Area Cooperative Computerized Educational Service System, Columbiana Public Library, and the Ohio Association of School Business Officials Worker's Compensation Group Rating Program. These organizations are presented in Notes 15, 16, and 17 to the general purpose financial statements.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Columbiana Exempted Village School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Fund – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

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

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund – The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The School District's only enterprise fund accounts for food service.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds include only agency funds.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group – This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group – This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue Recognition:

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 School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property 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 7) 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures:

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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

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

C. Budgetary Process

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

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 Columbiana County Budget Commission for rate determination.

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 School 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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 are legal levels 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 School 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 totals at any level of control. Any revisions that alter the total of any fund appropriation 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.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, 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.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

Cash and cash equivalents 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 2003, investments were limited to Certificates of Deposit, Repurchase Agreements, and STAR Ohio. All investments of the School District had a maturity of two years or less. 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 and nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasurer Assets Reserve of Ohio (STAR Ohio) during fiscal year 2003. 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, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$68,586, which includes \$41,837 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not from the pool are considered to be investments.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

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

E. Inventory

Materials and supplies inventory has not been reported in the governmental funds since the balance is not significant. Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first in, first out basis. Inventories of proprietary funds consist of donated food and purchased food and are expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straightline method over an estimated useful life of eight to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

G. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

H. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School 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 School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

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

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. General obligation bonds, energy conservation loans payable and certificates of participation are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Fund Balance Reserves and Designations

The School 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. Designations represent tentative plans for future use of financial resources. 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, debt service principal, and school bus purchase.

The reserve for debt service principal represents monies set-aside for the last principal payment on the certificates of participation.

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

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

M. 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.

N. Memorandum Only – Total Columns

Total columns on the general purpose financial statements are captioned “Totals - (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY

The General, Auxiliary Services, Title I, Drug Free, and Title II-A Funds all concluded fiscal year 2003 with deficit fund balances, which were created by the application of Generally Accepted Accounting Principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At June 30, 2003, the food service enterprise fund had a deficit retained earnings of \$148,592. The School District is currently analyzing the operations of the food service enterprise fund to determine how to alleviate the deficit balance.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity Budget and Actual (Budget Basis) - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP basis).

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

4. During FY99, Certificates of Participation (COPs) were issued for the construction of a new high school. The activity related to this transaction is not included on the budgetary statements but is presented on the GAAP statements (See Note 13).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(230,997)	(\$18,955)	\$22,882	(\$52,263)
Revenue Accruals	0	(1,467)	(57,733)	283
Expenditure Accruals	94,181	(15,955)	57,814	(133,138)
Encumbrances	(13,365)	(7,846)	0	(37,945)
Budget Basis	\$(150,181)	(\$44,223)	\$22,963	(\$223,063)

	Net Income/Excess of Revenues Over (Under) Expenses, and Operating Transfers All Proprietary Fund Types	
	Enterprise	Internal Service
GAAP Basis	(\$617)	(\$32,548)
Revenue Accrual	(32)	0
Expense Accrual	2,582	40,557
Depreciation Expense	4,645	0
Budget Basis	\$6,578	\$8,009

NOTE 5 DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of School 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

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 5 DEPOSITS AND INVESTMENTS – (Continued)

the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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.

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

Deposits – At fiscal year end, the carrying amount of the School District's deposits was (\$147,769) and the bank balance was \$29,711. The entire bank balance was covered by federal depository insurance. The School District maintains a "zero balance" account for each of its checking accounts. Money is credited to

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 5 DEPOSITS AND INVESTMENTS – (Continued)

the checking account from a sweep investment account that is linked to those accounts as checks are presented. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments – The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Fair Value
Federal Government Securities	978,361		978,361
Repurchase Agreements		185,000	185,000
STAR Ohio			58,280
Totals			\$1,221,641

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$3,076,422	\$0
Cash on Hand	(2,050)	0
Investments:		
Federal Government Securities	(978,361)	978,361
Repurchase Agreement	(185,000)	185,000
STAR Ohio	(58,280)	58,280
GASB Statement No. 3	\$1,857,731	\$1,221,641

NOTE 6 PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half collections are received by the School District in the second half of the fiscal year. Second half 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 located in the School District. Property tax revenue received during calendar year 2003 for real and public utility property taxes represents collections of calendar year 2002 taxes. Property tax payments received during calendar year 2003 for tangible personal property (other than public utility property) is for calendar year 2003 taxes.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 6 PROPERTY TAXES – (Continued)

2003 real property taxes are levied after April 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which fiscal year 2003 taxes were collected are:

	<u>2002 Second - Half Collections</u>		<u>2003 First - Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$114,281,500	84.37%	\$116,711,480	83.51%
Public Utility	4,564,610	3.37	4,758,680	3.40
Tangible Personal Property	16,600,240	12.26	18,289,610	13.09
Total Assessed Value	<u>\$135,446,350</u>	<u>100.00%</u>	<u>\$139,759,770</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.83		\$34.53	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. The School District receives property taxes from Columbiana and Mahoning Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. There was no amount available as an advance at June 30, 2002.

NOTE 7 RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes and intergovernmental grants. 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 fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 7 RECEIVABLES – (Continued)

A summary of intergovernmental receivables follows:

	Amount s
Special Revenue Funds:	
Drug-Free Schools	3,241
Total Special Revenue Funds	3,241
Lunchroom Fund	10,430
Total All Funds	\$13,671

NOTE 8 FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$211,140
Less Accumulated Depreciation	(140,940)
Net Fixed Assets	\$70,200

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 6/30/02	Adjustments	Additions	Deletions	Balance at 6/30/03
Land and Improvements	\$262,041	\$0	\$0	\$0	\$262,041
Buildings	10,157,957	0	0	0	10,157,957
Building Improvements	116,646	0	0	0	116,646
Furniture, Fixtures and Equip.	1,511,459	23,368	108,627	205,545	1,437,909
Vehicles	411,240	0	0	0	411,240
Totals	\$12,459,343	\$23,368	\$108,627	\$205,545	\$12,385,793

NOTE 9 RISK MANAGEMENT

The School 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 2003, the School District contracted with Cincinnati Insurance Company for property, inland marine, and boiler/machinery coverage and with the Ohio School Plan for fleet insurance and liability insurance. Coverages are as follows:

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

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 9 RISK MANAGEMENT – (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical, prescription, vision and dental insurance is offered to employees through a self-insurance internal service fund. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with no deductible for certificated staff and a medical/surgical plan with \$200 family and \$100 single deductible for classified staff. Certificated staff members contribute \$41.64 per month for family coverage and \$20.04 per month for single coverage. A third party administrator, Benefit Services, Inc., reviews all claims which are then paid by the School District. The School District purchases stop-loss coverage of \$25,000 per employee. The School District pays into the self-insurance internal service fund \$966 family coverage or \$402 individual coverage per month for all personnel which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. The School District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

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

The claims liability of \$74,168 reported in the internal service fund at June 30, 2003, is based on a review of claims processed during the months of July and August, 2003 and determining those claims with service dates prior to June 30, 2003, and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expense and does not include allocated or unallocated claims adjustment expenses.

Changes in the fund's claims liability amount for 2002 and 2003 were:

	Balance at Beginning of Year	Current Year Claims	Stop Loss Reimbursement	Claims Payments	Balance at End of Year
2002	98,935	538,372	0	603,696	33,611
2003	33,611	724,358	0	683,801	74,168

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 10 DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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 state statute per 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 School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 5.46 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 School District's required contributions for the pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$44,764, \$43,112, and \$31,927, respectively; 46.39 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

\$24,000 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$344,245, \$328,862, and \$295,823, respectively; 80.17 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$68,262 represents the unpaid contribution for fiscal year 2003 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 11 POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$163,063 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2003, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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, prorated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$92,881.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 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.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 12 EMPLOYEE BENEFITS (Continued)

B. Life Insurance

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

NOTE 13 LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03
Income Tax Anticipation Notes	\$0	\$640,000	\$0	\$640,000
Library Bond 2001 4.95% maturing June 1, 2011	970,000	0	80,000	890,000
Energy Conservation Loan 1998 4.8% maturing December 1, 2013	474,882	0	31,799	443,083
Certificates of Participation 3.50 - 5.15% maturing December 1, 2022	10,024,583	79,509	80,000	10,024,092
Pension Obligation	49,123	55,250	49,123	55,250
Compensated Absences	572,244	11,908	0	584,152
Total General Long-Term Obligations	\$12,090,832	\$786,667	\$240,922	\$12,636,577

Income Tax Anticipation Notes – On December 11, 2002, the School 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.

Library Bond – On August 15, 2001, Columbiana School District issued \$1,000,000 in bonds on behalf of the Columbiana Public Library. These bonds will be paid from the property tax revenue in the debt service fund. See Note 16 for further information.

Energy Conservation Loan – On December 17, 1998, Columbiana School District issued \$576,217 in an unvoted general obligation loan for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The loan was issued for a fifteen year period with final maturity during fiscal year 2014. This loan will be paid from resources in the debt service fund.

Certificates of Participation – In FY99, the School 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.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 13 LONG-TERM OBLIGATIONS – (Continued)

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

Certificates maturing December 1 in the years from and including 2010 to and including 2014 are Capital Appreciation Certificates. These are securities that are purchased at a discount at the time of issuance and, at maturity, all compound interest is paid and the holder of the certificate collects the face value. However, since interest is technically earned and compounded semiannually, the value of the certificate

increases. Therefore, as the value increases, the accretion is booked as principal. The accretion amount for fiscal year 2003 is \$79,509.

The obligation of the School 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 School District.

The liability for the Certificates is recorded in the General Long-Term Debt Account Group 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 School District but are payable only from appropriations by the School District for annual lease payments.

Employer pension obligations – Employer pension due to the School Employees Retirement System will be paid from the fund from which the employee is paid.

Compensated absences – Sick leave benefits will be paid from the fund from which the employee is paid.

The School District's voted legal debt margin was \$13,035,531 with an unvoted debt margin of \$139,760 at June 30, 2003.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	356,343	483,742	840,085
2005	392,963	469,795	862,758
2006	504,661	452,309	956,970
2007	556,442	431,200	987,642
2008	603,310	407,774	1,011,084
Thereafter	9,583,456	5,082,488	14,665,944
Total	<u>\$11,997,175</u>	<u>\$7,327,308</u>	<u>\$19,324,483</u>

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 14 CONTINGENCIES

Grants

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

NOTE 15 - 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 – The School District is a participant in the Area Cooperative Computerized Educational Service System (ACCESS) which is a computer consortium. ACCESS is an association of public school districts within the boundaries of Columbiana and Mahoning Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. To obtain information, write to ACCESS, 425 West Main Street, Canfield, Ohio 44406.

NOTE 16 - RELATED ORGANIZATION

Columbiana Public Library - The Columbiana Public Library is a related organization of the School 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 School District. Although the School 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 School 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 School District with which the bonded debt is paid. The final payment on the bonds is June 1, 2011.

NOTE 17 - PUBLIC ENTITY RISK POOL

Risk Sharing Pool

Ohio Association of School Business Officials Worker's Compensation Group Rating Program - The School District participates in the Ohio Association of School Business Officials Association Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 18 – SET-ASIDES

The School 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. In prior years, the School District was also required to set-aside money for budget stabilization.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside Cash Balance as of June 30, 2002	(\$121,462)	\$0	\$32,334
Current Year Set-aside Requirement	138,167	138,167	0
Current Year Offsets	0	(575,607)	0
Qualifying Disbursements	(165,290)	(75,841)	(32,334)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$148,585)	\$0	\$0
Set-aside Cash Balance as of June 30, 2003	\$0	\$0	\$0

The School 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 School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The School District has also set-aside \$24,693 for the purchase of school buses.

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(CONTINUED)**

NOTE 19 - SUBSEQUENT EVENTS

State School Funding Decision

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

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

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	Unknown	10.550		\$13,239		\$13,239
National School Lunch Program	LLP4-2003	10.555	72,339	0	72,339	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>72,339</u>	<u>13,239</u>	<u>72,339</u>	<u>13,239</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 2002 C1-S1 2003	84.010	14,269 101,616	0 0	19,331 101,616	0 0
Total Title I Grants to Local Educational Agencies			<u>115,885</u>	<u>0</u>	<u>120,947</u>	<u>0</u>
Special Education Cluster:						
Title VI-B Special Education-Grants to States	6B-SF-2002 6B-SF-2003	84.027	1,440 96,766	0 0	1,440 96,766	0 0
Total Special Education Cluster			<u>98,206</u>	<u>0</u>	<u>98,206</u>	<u>0</u>
EHA Preschool Grants for the Handicapped		84.173	4,529	0	4,529	0
Drug Free School Grant	DR-S1 2002 DR-S1 2003	84.186	851 3,518	0 0	1,578 4,255	0 0
Total Drug Free School Grant			<u>4,369</u>	<u>0</u>	<u>5,833</u>	<u>0</u>
Eisenhower Professional Development State Grant	MS-S1 2001 MS-S1 2002	84.281	460 558	0 0	3,488 5,684	0 0
Total Eisenhower Professional Development State Grant			<u>1,018</u>	<u>0</u>	<u>9,172</u>	<u>0</u>
Title II, Part A - Teacher & Principal Training & Recruiting	TR-S1-2003	84.367	41,011	0	41,011	0
Assistive Technology Infusion	AT-S2-2002 AT-S3-2002	84.352	9,035 5,085	0 0	9,035 5,085	0 0
Total Assistive Technology Infusion			<u>14,120</u>	<u>0</u>	<u>14,120</u>	<u>0</u>
Title II-D, Education Technology Grants	TJ-S1-2003	84.318	2,782	0	2,782	0
Title V, Part A - Innovative Education Programs	CS-S1-2003	84.298	6,463	0	6,463	0
Total U. S. Department of Education			<u>288,383</u>	<u>0</u>	<u>303,063</u>	<u>0</u>
Total Federal Assistance			<u><u>\$360,722</u></u>	<u><u>\$13,239</u></u>	<u><u>\$375,402</u></u>	<u><u>\$13,239</u></u>

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

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
FISCAL YEAR ENDED JUNE 30, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary 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. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.



**Auditor of State
Betty Montgomery**

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

Columbiana Exempted Village School District
Columbiana County
700 Columbiana-Waterford Road
Columbiana, OH 44408

To the Board of Education:

We have audited the financial statements of the Columbiana Exempted Village School District as of and for the year ended June 30, 2003, and have issued our report thereon dated November 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Columbiana Exempted Village School District in a separate letter dated November 12, 2003.

Internal Control Over Financial Reporting

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

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

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 12, 2003



Auditor of State Betty Montgomery

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

Columbiana Exempted Village School District
Columbiana County
700 Columbiana-Waterford Road
Columbiana, OH 44408

To the Board of Education:

Compliance

We have audited the compliance of the Columbiana Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 12, 2003

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

**COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2003**

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 (CFDA #10.550; 10.555; 10.556; 10.559)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**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

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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

COLUMBIANA EXEMPTED VILLAGE SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2004**