



**COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
Columbia Local School District  
Lorain County  
25796 Royalton Road  
Columbia Station, Ohio 44028

We have audited the accompanying general-purpose financial statements of the Columbia Local School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2002, 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 Columbia Local School District, Lorain County, Ohio, as of June 30, 2002, 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 dated October 30, 2002, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

October 30, 2002

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COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY  
COMBINED BALANCE SHEET -  
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
<u>Assets and other debits</u>				
Equity in pooled cash	\$ 896,119	\$ 174,688	\$ -	\$ 166,676
Restricted cash	39,064	-	-	-
Receivables, net of allowance				
Taxes, current	4,056,268	-	45,119	348,042
Taxes, delinquent	86,986	-	-	7,258
Due from other governments	-	30,892	-	-
Interfund receivables	33,410	-	-	-
Inventories and supplies	-	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount to be provided for debt service	-	-	-	-
Amount to be provided for compensated absences	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital lease	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 5,111,847</b>	<b>\$ 205,580</b>	<b>\$ 45,119</b>	<b>\$ 521,976</b>
<u>Liabilities, fund equity and other credits</u>				
Liabilities				
Accounts and contracts payable	\$ 44,170	\$ 7,281	\$ -	\$ 6,301
Accrued wages and benefits	705,576	19,801	-	-
Due to others	-	-	-	-
Due to other governments	141,423	2,730	-	-
Due to students	-	-	-	-
Interfund payables	-	7,700	-	-
Deferred revenue	3,393,339	108,993	45,119	292,426
Bonds payable	-	-	-	-
Capitalized lease obligations	-	-	-	-
Compensated absences payable	153,664	-	-	-
<b>Total liabilities</b>	<b>4,438,172</b>	<b>146,505</b>	<b>45,119</b>	<b>298,727</b>
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balance				
Reserved for property tax	749,915	-	-	63,129
Reserve for textbooks	1,235	-	-	-
Reserve for budget stabilization	39,064	-	-	-
Reserved for encumbrances	29,240	7,346	-	7,875
Unreserved	(145,779)	51,729	-	152,245
<b>Total fund equity and other credits</b>	<b>673,675</b>	<b>59,075</b>	<b>-</b>	<b>223,249</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 5,111,847</b>	<b>\$ 205,580</b>	<b>\$ 45,119</b>	<b>\$ 521,976</b>

See accompanying notes to the General Purpose Financial Statements.



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-term Debt	
\$ 49,416	\$ 3,825	\$ 35,819	\$ -	\$ -	\$ 1,326,543
-	-	-	-	-	39,064
-	-	-	-	-	4,449,429
-	-	-	-	-	94,244
8,066	-	-	-	-	38,958
-	-	-	-	-	33,410
2,458	-	-	-	-	2,458
219,015	-	-	5,622,388	-	5,841,403
(213,225)	-	-	-	-	(213,225)
-	-	-	-	121,729	121,729
-	-	-	-	671,089	671,089
-	-	-	-	60,533	60,533
-	-	-	-	2,632	2,632
<u>\$ 65,730</u>	<u>\$ 3,825</u>	<u>\$ 35,819</u>	<u>\$ 5,622,388</u>	<u>\$ 855,983</u>	<u>\$ 12,468,267</u>
\$ -	\$ -	\$ 1,334	\$ -	\$ -	\$ 59,086
21,134	-	-	-	-	746,511
-	-	2,114	-	-	2,114
13,577	-	-	-	60,533	218,263
-	-	28,119	-	-	28,119
21,458	-	4,252	-	-	33,410
1,781	-	-	-	-	3,841,658
-	-	-	-	121,729	121,729
-	-	-	-	2,632	2,632
14,646	-	-	-	671,089	839,399
<u>72,596</u>	<u>-</u>	<u>35,819</u>	<u>-</u>	<u>855,983</u>	<u>5,892,921</u>
-	-	-	5,622,388	-	5,622,388
(6,866)	3,825	-	-	-	(3,041)
-	-	-	-	-	813,044
-	-	-	-	-	1,235
-	-	-	-	-	39,064
-	-	-	-	-	44,461
-	-	-	-	-	58,195
<u>(6,866)</u>	<u>3,825</u>	<u>-</u>	<u>5,622,388</u>	<u>-</u>	<u>6,575,346</u>
<u>\$ 65,730</u>	<u>\$ 3,825</u>	<u>\$ 35,819</u>	<u>\$ 5,622,388</u>	<u>\$ 855,983</u>	<u>\$ 12,468,267</u>

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2002

	General	Special Revenue	Debt Service	Capital Projects
<b>Revenues</b>				
Taxes	\$ 3,863,841	\$ -	\$ 45,119	\$ 326,628
Tuition and fees	28,490	5,714	-	460
Transportation fees	9,134	-	-	-
Interest	32,759	-	-	6,581
Intergovernmental	3,569,239	212,642	-	24,469
Extracurricular	-	119,640	-	-
Other	13,357	30,032	-	-
<b>Total revenues</b>	<b>7,516,820</b>	<b>368,028</b>	<b>45,119</b>	<b>358,138</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	3,573,501	54,092	-	3,183
Special	442,663	73,047	-	-
Vocational	75,350	-	-	-
Other instruction	73,067	-	-	-
<b>Supporting services</b>				
Pupil	416,331	103,714	-	-
Instructional staff	269,220	4,706	-	-
Board of education	24,011	-	-	-
Administration	692,780	27,650	-	-
Fiscal services	252,951	-	-	5,395
Business	5,435	-	-	-
Operation and maintenance	726,811	-	-	-
Pupil transportation	527,851	-	-	174,472
Central services	59,477	13,048	-	-
<b>Extracurricular activities</b>				
Academic and subject oriented	33,187	7,386	-	-
Sports oriented	210,498	81,402	-	-
Co-curricular activities	14,604	-	-	-
Capital outlay	-	40	-	268,001
<b>Debt service</b>				
Principal	3,375	-	36,421	-
Interest	201	-	8,698	-
<b>Total expenditures</b>	<b>7,401,313</b>	<b>365,085</b>	<b>45,119</b>	<b>451,051</b>
Excess (deficiency) of revenues over expenditures	115,507	2,943	-	(92,913)
<b>Other financing sources (uses)</b>				
Operating transfers-in	-	-	-	21,669
Gain on sale of assets	110	-	-	-
Operating transfers-out	(21,669)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(21,559)</b>	<b>-</b>	<b>-</b>	<b>21,669</b>
Excess (deficiency) of revenues over expenditures and other source (uses)	93,948	2,943	-	(71,244)
Fund balances, beginning of year	579,727	56,132	-	294,493
Fund balances, end of year	\$ 673,675	\$ 59,075	\$ -	\$ 223,249

See accompanying notes to the General Purpose Financial Statements.

Totals  
(Memorandum  
Only)

\$	4,235,588
	34,664
	9,134
	39,340
	3,806,350
	119,640
	43,389
	<hr/>
	8,288,105
	<hr/>

3,630,776
515,710
75,350
73,067

520,045
273,926
24,011
720,430
258,346
5,435
726,811
702,323
72,525

40,573
291,900
14,604
268,041

39,796
8,899

<hr/>
8,262,568
<hr/>

25,537
<hr/>

21,669
110
(21,669)
<hr/>

110
<hr/>

25,647
930,352

<hr/>
\$ 955,999
<hr/>

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (NON-GAAP BASIS) - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2002

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 4,128,475	\$ 3,992,419	\$ (136,056)
Tuition and fees	32,650	28,490	(4,160)
Transportation fees	7,000	9,134	2,134
Interest	49,000	32,759	(16,241)
Intergovernmental	3,436,003	3,589,611	153,608
Extracurricular	-	-	-
Other	14,100	13,357	(743)
Total revenues	<u>7,667,228</u>	<u>7,665,770</u>	<u>(1,458)</u>
Expenditures			
Current			
Instruction			
Regular	3,832,389	3,443,912	388,477
Special	499,065	419,381	79,684
Vocational	96,929	89,408	7,521
Other instruction	115,000	73,067	41,933
Supporting services			
Pupil	424,789	389,324	35,465
Instructional staff	265,040	242,299	22,741
Board of education	27,934	25,111	2,823
Administration	723,682	699,365	24,317
Fiscal services	294,200	252,090	42,110
Business	11,100	5,435	5,665
Operation and maintenance	822,236	741,041	81,195
Pupil transportation	556,341	527,287	29,054
Central services	115,005	75,737	39,268
Operation of non-instructional			
Community services	-	-	-
Extracurricular activities			
Academic and subject oriented	33,084	32,448	636
Sports oriented	239,496	211,700	27,796
Co-curricular activities	21,993	15,152	6,841
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>8,078,283</u>	<u>7,242,757</u>	<u>835,526</u>
Excess (deficiency) of revenues over			
Expenditures	<u>(411,055)</u>	<u>423,013</u>	<u>834,068</u>
Other financing sources (uses)			
Operating transfers-in	1,500	2,500	1,000
Gain on sale of assets	600	110	(490)
Advances-in	10,000	42,000	32,000
Refund of prior year expenditures	-	2,617	2,617
Advances-out	(46,000)	(43,958)	2,042
Refund of prior year receipts	(500)	(389)	111
Operating transfers-out	(24,000)	(21,669)	2,331
Total other financing sources (uses)	<u>(58,400)</u>	<u>(18,789)</u>	<u>39,611</u>
Excess (deficiency) of revenues over			
expenditures and other sources (uses)	<u>(469,455)</u>	<u>404,224</u>	<u>873,679</u>
Prior year encumbrances	24,021	24,021	-
Fund balances, beginning of year	445,434	445,434	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 873,679</u>	<u>\$ 873,679</u>

See accompanying notes to the General Purpose Financial Statements.

Special Revenue		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
1,850	5,714	3,864
-	-	-
-	-	-
238,848	238,043	(805)
123,650	119,640	(4,010)
27,250	30,032	2,782
<u>391,598</u>	<u>393,429</u>	<u>1,831</u>
87,783	56,715	31,068
95,010	74,907	20,103
-	-	-
-	-	-
140,041	105,516	34,525
11,640	5,531	6,109
-	-	-
33,788	27,951	5,837
-	-	-
-	-	-
-	-	-
15,629	13,057	2,572
1,300	-	1,300
14,692	7,386	7,306
112,170	89,766	22,404
-	-	-
4,995	62	4,933
-	-	-
-	-	-
<u>517,048</u>	<u>380,891</u>	<u>136,157</u>
<u>(125,450)</u>	<u>12,538</u>	<u>137,988</u>
-	-	-
-	-	-
-	-	-
-	43	43
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>43</u>	<u>43</u>
(125,450)	12,581	138,031
14,556	14,556	-
134,388	134,388	-
<u>\$ 23,494</u>	<u>\$ 161,525</u>	<u>\$ 138,031</u>

Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 45,119	\$ 45,119	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
36,421	36,421	-
8,698	8,698	-
<u>45,119</u>	<u>45,119</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (NON-GAAP BASIS) - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2002

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 343,573	\$ 337,223	\$ (6,350)
Tuition and fees	-	460	460
Transportation fees	-	-	-
Interest	10,500	6,581	(3,919)
Intergovernmental	64,000	26,226	(37,774)
Extracurricular	-	-	-
Other	-	-	-
Total revenues	<u>418,073</u>	<u>370,490</u>	<u>(47,583)</u>
Expenditures			
Current			
Instruction			
Regular	3,183	3,183	-
Special	-	-	-
Vocational	-	-	-
Other instruction	-	-	-
Supporting services			
Pupil	-	-	-
Instructional staff	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal services	5,700	5,395	305
Business	-	-	-
Operation and maintenance	-	-	-
Pupil transportation	194,671	174,472	20,199
Central services	-	-	-
Operation of non-instructional			
Community services	-	-	-
Extracurricular activities			
Academic and subject oriented	-	-	-
Sports oriented	-	-	-
Co-curricular activities	-	-	-
Capital outlay	477,986	347,876	130,110
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>681,540</u>	<u>530,926</u>	<u>150,614</u>
Excess (deficiency) of revenues over			
Expenditures	<u>(263,467)</u>	<u>(160,436)</u>	<u>103,031</u>
Other financing sources (uses)			
Operating transfers-in	-	21,669	21,669
Gain on sale of assets	-	-	-
Advances-in	4,200	32,000	27,800
Refund of prior year expenditures	-	-	-
Advances-out	(32,000)	(32,000)	-
Refund of prior year receipts	-	-	-
Operating transfers-out	-	-	-
Total other financing sources (uses)	<u>(27,800)</u>	<u>21,669</u>	<u>49,469</u>
Excess (deficiency) of revenues over			
expenditures and other sources (uses)	<u>(291,267)</u>	<u>(138,767)</u>	<u>152,500</u>
Prior year encumbrances	199,092	199,092	-
Fund balances, beginning of year	92,175	92,175	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 152,500</u>	<u>\$ 152,500</u>

See accompanying notes to the General Purpose Financial Statements.

Totals  
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,517,167	\$ 4,374,761	\$ (142,406)
34,500	34,664	164
7,000	9,134	2,134
59,500	39,340	(20,160)
3,738,851	3,853,880	115,029
123,650	119,640	(4,010)
41,350	43,389	2,039
<u>8,522,018</u>	<u>8,474,808</u>	<u>(47,210)</u>
3,923,355	3,503,810	419,545
594,075	494,288	99,787
96,929	89,408	7,521
115,000	73,067	41,933
564,830	494,840	69,990
276,680	247,830	28,850
27,934	25,111	2,823
757,470	727,316	30,154
299,900	257,485	42,415
11,100	5,435	5,665
822,236	741,041	81,195
751,012	701,759	49,253
130,634	88,794	41,840
1,300	-	1,300
47,776	39,834	7,942
351,666	301,466	50,200
21,993	15,152	6,841
482,981	347,938	135,043
36,421	36,421	-
8,698	8,698	-
<u>9,321,990</u>	<u>8,199,693</u>	<u>1,122,297</u>
<u>(799,972)</u>	<u>275,115</u>	<u>1,075,087</u>
1,500	24,169	22,669
600	110	(490)
14,200	74,000	59,800
-	2,660	2,660
(78,000)	(75,958)	2,042
(500)	(389)	111
(24,000)	(21,669)	2,331
<u>(86,200)</u>	<u>2,923</u>	<u>89,123</u>
(886,172)	278,038	1,164,210
237,669	237,669	-
671,997	671,997	-
<u>\$ 23,494</u>	<u>\$ 1,187,704</u>	<u>\$ 1,164,210</u>

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Tuition and fees	\$ 29,725	\$ -	\$ 29,725
Sales	236,906	-	236,906
Extracurricular	-	22,115	22,115
Total operating revenues	<u>266,631</u>	<u>22,115</u>	<u>288,746</u>
Operating expenses			
Salaries and wages	119,551	-	119,551
Fringe benefits	31,225	-	31,225
Contractual services	4,932	21,166	26,098
Materials and supplies	157,417	-	157,417
Depreciation expense	2,518	-	2,518
Total operating expenses	<u>315,643</u>	<u>21,166</u>	<u>336,809</u>
Operating income (loss)	<u>(49,012)</u>	<u>949</u>	<u>(48,063)</u>
Nonoperating revenues			
Intergovernmental	71,181	-	71,181
Total nonoperating revenues	<u>71,181</u>	<u>-</u>	<u>71,181</u>
Net income	22,169	949	23,118
Retained earnings, beginning of year	<u>(29,035)</u>	<u>2,876</u>	<u>(26,159)</u>
Retained earnings, end of year	<u>\$ (6,866)</u>	<u>\$ 3,825</u>	<u>\$ (3,041)</u>

See accompanying notes to the General Purpose Financial Statements.



COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY  
COMBINED STATEMENT OF CASH FLOWS -  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash flows from operating activities:			
Operating income (loss)	\$ (49,012)	\$ 949	\$ (48,063)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	2,518	-	2,518
Donated commodities, used	13,272	-	13,272
Changes in net asset (increase) decrease and liabilities increase (decrease)			-
Due from other governments	(984)	-	(984)
Inventories and supplies	(141)	-	(141)
Accounts and contracts payable	-	(244)	(244)
Accrued wages and benefits	4,339	-	4,339
Due to other governments	(1,060)	-	(1,060)
Interfund payable	1,958	-	1,958
Deferred revenue	179	-	179
Compensated absences payable	762	-	762
Total adjustments	20,843	(244)	20,599
Net cash (used in) provided by operating activities	(28,169)	705	(27,464)
Cash flows from non-capital financing activities:			
Intergovernmental revenue	57,909	-	57,909
Net cash provided by non-capital financing activities	57,909	-	57,909
Net increase in pooled cash and equivalents	29,740	705	30,445
Equity in pooled cash and equivalents, beginning of year	19,676	3,120	22,796
Equity in pooled cash and equivalents, end of year	\$ 49,416	\$ 3,825	\$ 53,241

See accompanying notes to the General Purpose Financial Statements.

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COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Columbia Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2001 was 1,166. The District employs 85 certificated and 56 non-certificated employees.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units, therefore the financial statements are that of the primary government.

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

Lake Erie Educational Computer Association - The Columbia Local School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 17 to the financial statements.

Lake Erie Regional Council of Governments - The Lake Erie Regional Council of Governments (LERC) promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 17 to the financial statements.

Lorain County Joint Vocational School District - The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide vocational and special education needs of the students. The Board of the Lorain County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, accounting and financing related activities. The Columbia Local School District's students may attend the Lorain County Joint Vocational School District. The District's participation in this jointly governed organization is disclosed in Note 17 to the financial statements.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING PRINCIPLES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the Columbia Local School District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained are consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Columbia Local School District has the following fund types and account groups:

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available, except for what is on hand with the county treasurer on the last day of the fiscal year which is recognized in the current period. 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. Nonexchange transactions, in which the 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 taxes are levied (See Note 11). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - 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 - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds.

Capital Projects Funds - 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.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING PRINCIPLES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Proprietary Fund Types

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities 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 intergovernmental revenue. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the board of education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary fund operations, unless those pronouncements conflict or contradict GASB pronouncements. Proprietary funds include the following fund types:

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - used to account for the financing of goods or services provided by one department or agency to governmental units, on a cost-reimbursement basis.

Fiduciary Fund Type

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. The fiduciary fund type is as follows:

Agency Fund - custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Account Groups

The District maintains two account groups as described below:

General Fixed Assets Account Group - used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary funds.

General Long-term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

B. DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is distributed to the funds based on their contribution to the pool, as permitted by the Ohio Revised Code.

C. RESTRICTED CASH

Restricted assets in the general fund represent cash and equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State. A fund balance reserve has also been established.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING PRINCIPLES (continued)

D. RECEIVABLES

Receivables are reflected at gross, except for delinquent taxes, which are net of the allowance for the amount that is expected to be uncollectible.

E. INVENTORIES AND SUPPLIES

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

F. FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their estimated fair market value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets that are used in proprietary fund type activities are capitalized in their respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated useful life of the asset. Depreciable assets consist of equipment and furniture with estimated useful lives of 8 to 20 years.

G. LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

H. COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits.

Compensated absences that relate to future services or that are contingent on specific events that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental fund types, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder of the compensated absences liability is reported in the general long-term debt account group. The District uses the vesting method to calculate the compensated absences liability.

In the proprietary funds, the entire amount of compensated absences is reported as an expense and fund liability.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING PRINCIPLES (continued)

I. FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

J. TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned (Memorandum Only) because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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 required to be budgeted and appropriated. The primary level of budgetary control is at the fund level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Estimated Resources (continued)

Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30.

The appropriation resolution fixes spending authority at the fund level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

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

Encumbrances

As part of formal budgetary control, purchases 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. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

- 1.) Revenues are recorded when received (budgetary basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budgetary basis) rather than when the liability was incurred (GAAP basis).



COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Budgetary Reporting (continued)

- 3.) Proceeds from and principal payments on revenue anticipation notes are reported on the operating statement (budgetary basis) rather than as balance sheet transactions (GAAP basis). Additionally, interest payments on revenue anticipation notes are reported in the Debt Service Fund (budgetary basis) rather than in the General Fund or the fund in which the purpose of the notes were intended.

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

	Excess (deficiency) of revenues over expenditures and other sources (uses) - reconciliation of budget basis to GAAP basis		
	General	Special Revenue	Capital Projects
Budget basis	\$ 404,224	\$ 12,581	\$ (138,767)
Adjustments, increase (decrease)			
Revenue accruals	(196,067)	(25,444)	(44,352)
Expenditure accruals	(114,209)	15,806	111,875
GAAP basis, as reported	\$ 93,948	\$ 2,943	\$ (71,244)

B. FUND EQUITY DEFICITS

Not apparent in the general purpose financial statements are deficit fund equity balances in the Foundation Grant Fund \$ 4,093, Title VI-B \$ 137, Title I \$7,748, Improvement Grant \$ 3,845 and Food Service \$ 7,206. These deficit fund equity balances at year-end result from reflecting expenditures and expenses in accordance with the modified accrual basis and the accrual basis which are substantially larger than the amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year. Management is aware of the deficit and is analyzing the operation to determine the appropriate action to alleviate the deficit.

NOTE 4 DEPOSITS AND INVESTMENTS

The Columbia Local School District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash."

A. LEGAL REQUIREMENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that the District 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.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 monies may be invested in;

- 1.) Time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts;
- 2.) 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;
- 3.) Bonds, notes, debentures, or 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;
- 4.) 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;
- 5.) Bonds and other obligations of the State of Ohio;
- 6.) 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;
- 7.) The State Treasurer's investment pool (STAROhio);
- 8.) Certain bankers' acceptance 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; and
- 9.) 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 of debt of the District, and must be purchased with the expectation that it will be held until maturity.

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

Investments 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.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

B. DEPOSITS

At fiscal year-end the District had \$ 25 in cash on hand which is included on the balance sheet as part of equity in pooled cash. The carrying amount of the Columbia Local School District's deposits was \$ (18,907) and the bank balance was \$ 104,344. Of which \$ 100,000 was covered by federal depository insurance and \$ 4,344 was in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Government Accounting Standards Board.

C. INVESTMENTS

The District invests in the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

The District's investment in STAROhio had a carrying value and fair value of \$ 1,384,514 at June 30, 2002. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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 2002 amounted to \$ 32,759, which includes amounts assigned from other District funds.

D. RESTRICTED CASH

Restricted cash consists of amounts that are required by law to be set aside for the budget stabilization reserve. At June 30, 2002 the restricted cash balance was \$ 39,064.

NOTE 5 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

The changes in general fixed assets during the year consisted of:

	Balance July 1, 2001	Additions	Disposals	Balance June 30, 2002
Land and improvements	\$ 229,524	\$ -	\$ -	\$ 229,524
Buildings and improvements	2,747,332	-	-	2,747,332
Equipment and furniture	1,677,846	41,850	31,319	1,688,377
Vehicles	957,155	-	-	957,155
	<u>\$ 5,611,857</u>	<u>\$ 41,850</u>	<u>\$ 31,319</u>	<u>\$ 5,622,388</u>

B. PROPRIETARY FUND TYPE FIXED ASSETS

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

	Balance June 30, 2002
<u>Enterprise</u>	
Equipment and furniture	\$ 219,015
Less accumulated depreciation	(213,225)
Net fixed assets	<u>\$ 5,790</u>

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 6 DEFERRED REVENUE

Deferred revenue at year-end consisted of:

	Balance June 30, 2002
Property taxes receivable	\$ 3,730,629
Federal commodities, unused	1,781
Intergovernmental revenue	109,248
	\$ 3,841,658

NOTE 7 GENERAL LONG-TERM DEBT

Changes in general long-term debt are as follows:

	Outstanding July 1, 2001	Additions	Retired	Outstanding June 30, 2002
Due to other governments	\$ 66,817	\$ 60,533	\$ 66,817	\$ 60,533
Bonds payable	158,150	-	36,421	121,729
Capital lease obligations	6,007	-	3,375	2,632
Compensated absences	743,633	62,266	134,810	671,089
	\$ 974,607	\$ 122,799	\$ 241,423	\$ 855,983

NOTE 8 BONDS PAYABLE

Bonds payable outstanding at year-end consisted of:

	Outstanding June 30, 2001	Additions	Deductions	Outstanding June 30, 2002
Energy conservation improvement bonds (1994) 5.50% through 2005	\$ 158,150	\$ -	\$ 36,421	\$ 121,729
	\$ 158,150	\$ -	\$ 36,421	\$ 121,729

NOTE 9 DEBT SERVICE REQUIREMENTS

Debt service requirements, including principal and interest, to retire bonds payable outstanding at June 30, 2002, consisted of:

Year ending June 30,	Principal	Interest	Total
2003	38,424	6,695	45,119
2004	40,538	4,582	45,120
2005	42,767	2,352	45,119
	\$ 121,729	\$ 13,629	\$ 135,358

Compensated absences and due to other governments will be paid from the funds from which the employee's salaries are paid. The capital lease obligations will be accounted for in the general long-term debt account group and paid for from the general fund.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 10 CAPITAL LEASE OBLIGATIONS

The Columbia Local School District is obligated under a certain lease accounted for as a capital lease. The leased copier and related obligation is accounted for in the General Fixed Asset Account Group and the General Long-term Debt Account Group, respectively. The asset under the capital lease is recorded as \$ 15,985. The lease is in effect through 2003.

The future minimum lease payments together with the net present value of the minimum lease payments as of June 30, 2002 is as follows:

	Year ending June 30,	Amount
	2003	\$
Total minimum lease payments		2,682
Less amount representing interest		(50)
Net present value of minimum lease payments		\$ 2,632

NOTE 11 PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Taxes collected on real property, other than public utility, in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property, other than public utility, in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business, except for public utilities, is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the District its portion of the taxes collected.

The tax applied to real property collected in 2001 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 58.05 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 31.70 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 34.70 per \$ 1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 2002, was \$ 58.05 per \$ 1,000 of valuation.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 11 PROPERTY TAXES (continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2002. 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. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2002 was \$ 813,044.

The property valuation consisted of:

Real Property - 2001	
Residential/Agricultural	\$ 126,015,660
Commercial/Industrial	12,639,850
Public Utilities	22,730
Mineral	48,880
Tangible Personal Property - 2002	
General	3,403,810
Public Utilities	6,903,050
Total Assessed Value	<u>\$ 149,033,980</u>

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Indiana Insurance Company for property insurance with a limit of \$ 18,973,574. Professional liability is covered by the Nationwide Insurance Company with a \$ 5,000,000 aggregate limit. Vehicles are covered by the Nationwide Insurance Company. Automobile liability has a \$ 2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bonds of \$ 40,000 are maintained for the superintendent and the board president by the Continental Insurance Company. The Nationwide Insurance Company maintains a \$ 20,000 public officials bond for the treasurer.

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the Ohio School Boards Association. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 12 RISK MANAGEMENT (continued)

The District provides life insurance and accidental death and dismemberment insurance to its employees. Life insurance is provided through Diversified Benefits Plans Incorporated.

The School District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December 1988. The LERC is a claims-servicing pool comprised of fourteen Lorain County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow or individual account balance. Upon termination, the terminating School District would be liable for all outstanding claims beyond their individual account balance. The LERC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. This plan provides a medical/surgical plan with deductibles of \$150 for single and \$300 for family coverage.

The LERC's pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of their deficiency and their premium is adjusted to cover its share of the additional cost of anticipated future claims.

NOTE 13 INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General	\$ 33,410	\$ -
Special Revenue		
Miscellaneous Grants	-	7,700
Enterprise		
Food Service	-	19,500
Uniform Supplies	-	1,958
Agency Funds		
Outdoor Education	-	4,252
Total	\$ 33,410	\$ 33,410

NOTE 14 DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Columbia Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefits 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 the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 14 DEFINED BENEFIT PENSION PLANS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Plan members are required to contribute 9% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS's Retirement Board. The District's contributions to SERS for the years ended June 30, 2002, 2001, and 2000, were \$ 174,700, \$ 161,600, and \$ 152,700, respectively. The District paid the required contribution for the fiscal years ended 2001 and 2000. For 2002, 50% has been contributed with the remainder of \$ 87,048 being recorded as a liability within the respective funds and the general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The Columbia Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2002, 2001, and 2000 were \$ 536,600, \$ 531,400, and \$ 502,700, respectively. The District paid the required contribution for the fiscal years ended 2001 and 2000. For 2002, 83.2% has been contributed with the remainder, of \$ 90,076 being recorded as a liability within the respective funds.

NOTE 15 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$ 12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$ 125,913. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$ 161,439,934 and the target level was \$ 242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits was \$ 315.7 million.

The number of participants currently receiving health care benefits is approximately 50,000.



COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 15 POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The State Teachers Retirement System (STRS) provides access to health care benefits to retirees and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available).

For the year ended June 30, 2001, the net health care costs paid by STRS Ohio were \$300,772,000. There were 102,132 eligible benefit recipients statewide at June 30, 2001.

NOTE 16 RETIREMENT INCENTIVE PLAN

The Columbia Board of Education adopted a retirement incentive policy effective with the 1997-98 school year. Full-time teachers who retire under STRS (excluding disability retirement) shall receive a lump sum cash payment of \$ 7,500. Teachers to be eligible for this retirement incentive must retire during their initial eligibility by the first teacher workday of the 2001-02 school year.

NOTE 17 JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2002 the District paid \$ 9,450 to LEECA for basic service charges.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 17 JOINTLY GOVERNED ORGANIZATIONS (continued)

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among thirteen districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provided operating resources to LERC on a per pupil or actual usage charge except for insurance.

Through the Ohio Schools Council the District participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. The program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$ 89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2002 the District paid \$ 560,782 to LERC.

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT (LCJVSD)

The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. The Board of the LCJVSD is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities. The District's students may attend the LCJVSD. Each school district's control is limited to its representation on the board. Financial information can be obtained by contacting the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 18 SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service and uniform school supplies. Segment information related to these follows:

	Food Service	Uniform School Supplies	Total Enterprise
Operating revenues	\$ 236,906	\$ 29,725	\$ 266,631
Operating expenses			
Salaries and wages	119,551	-	119,551
Fringe benefits	31,225	-	31,225
Contractual services	4,932	-	4,932
Materials and supplies	127,168	30,249	157,417
Depreciation	2,518	-	2,518
Total operating expenses	285,394	30,249	315,643
Operating income(loss)	(48,488)	(524)	(49,012)
Nonoperating revenues	71,181	-	71,181
Net income	\$ 22,693	\$ (524)	22,169
Other information			
Net working capital	\$ 1,650	\$ 340	\$ 1,990
Total assets	\$ 63,432	\$ 2,298	\$ 65,730
Total equity (deficit)	\$ (7,206)	\$ 340	\$ (6,866)

NOTE 19 STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During fiscal year ended June 30, 2002 the reserve activity (cash basis) was as follows:

	Textbook	Capital Maintenance	Budget Stabilization
Balance, June 30, 2001	\$ -	\$ -	\$ 39,064
Required set aside	144,150	144,150	-
Offset credits	(15,564)	-	-
Qualifying expenditures	(127,351)	(352,798)	-
Balance, June 30, 2002	\$ 1,235	\$ (208,648)	\$ 39,064
Balance carried forward to future fiscal years	\$ 1,235	\$ -	\$ 39,064

Textbook expenditures and offset credits amounted to \$142,915, which did not meet the required set aside and \$ 1,235 will need to be carried forward to the subsequent year. Capital maintenance expenditures and offset credits have exceeded statutory requirements by (\$ 208,648) which may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years. The total reserve balance for the set asides at the end of the fiscal year was \$ 39,064.

## NOTE 20 OHIO SCHOOL FUNDING PLAN

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. On November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education  
Columbia Local School District  
Lorain County  
25796 Royalton Road  
Columbia Station, Ohio 44028

We have audited the financial statements of Columbia Local School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we 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 the District in a separate letter dated October 30, 2002.

**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 material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 30, 2002.

This report is intended for the information and use of the management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

October 30, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
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Facsimile 614-466-4490

**COLUMBIA LOCAL SCHOOL DISTRICT**

**LORAIN 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  
DECEMBER 3, 2002**