

**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Columbia Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Columbia Local School District, Lorain County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

February 22, 2006

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of Columbia Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets totaled \$4,345,272 for 2005.
- Revenue for governmental activities totaled \$11,043,163 in 2005. Of this total, 92.8 percent consisted of general revenues while program revenues accounted for the balance of 7.2 percent.
- Program expenses totaled \$9,251,712. Instructional expenses comprised 54.7 percent of this total, while support services accounted for 38.5 percent. Other expenses rounded out the balance of 6.8 percent.
- Outstanding general obligation bonded debt of \$42,767 was completely retired during FY2005.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the School District as a whole begins on page 14. While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "why" or "why not". The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. These statements include all assets and liabilities using accrual basis of accounting, this accounting method is similar to that used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

All of the School District's programs and services are reported as Governmental Activities in the Statement of Net Assets and the Statement of Activities. Governmental Activities consist of functions that are principally supported by taxes and intergovernmental revenues. Such activities include instruction, support services, food service operations and extracurricular activities among others for the School District.

Currently, the School District has no Business-Type Activities, which include functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 16. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

Proprietary Funds – Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The internal service fund, which is the District's only proprietary fund, accounts for health insurance and is reported separately as the School District's internal service fund.

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District as a Whole

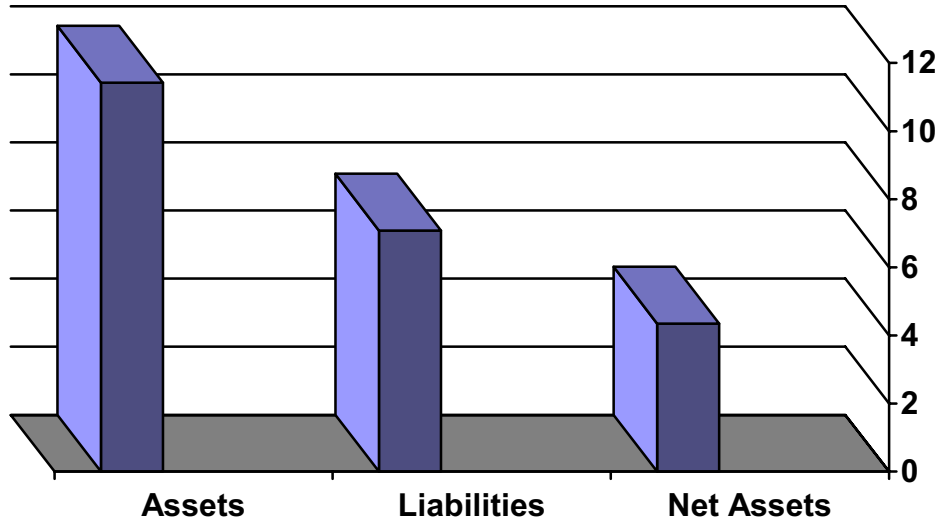
As you may recall, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 compares summaries of the School District's net assets for 2005 and 2004.

Table 1 - Total Net Assets

| | <u>2005</u> | <u>2004</u> | <u>Change</u> |
|-------------------------------|--------------------|--------------------|--------------------|
| Assets | | | |
| Current and Other Assets | \$9,696,976 | \$8,612,879 | \$1,084,097 |
| Capital Assets, Net | 1,633,636 | 1,499,483 | 134,153 |
| Total Assets | <u>11,330,612</u> | <u>10,112,362</u> | <u>1,218,250</u> |
| Liabilities | | | |
| Current and Other Liabilities | 6,401,847 | 6,868,014 | (466,167) |
| Long Term Liabilities: | | | |
| Due Within One Year | 33,296 | 136,620 | (103,324) |
| Due in More than One Year | 550,197 | 553,907 | (3,710) |
| Total Liabilities | <u>6,985,340</u> | <u>7,558,541</u> | <u>(573,201)</u> |
| Net Assets | | | |
| Invested in Capital Assets | | | |
| Net of Related Debt | 1,633,636 | 1,456,716 | 176,920 |
| Restricted: | | | |
| Capital Projects | 469,477 | 312,846 | 156,631 |
| Set Asides | 39,064 | 39,064 | 0 |
| Other Purposes | 158,684 | 156,600 | 2,084 |
| Unrestricted | 2,044,411 | 588,595 | 1,455,816 |
| Total Net Assets | <u>\$4,345,272</u> | <u>\$2,553,821</u> | <u>\$1,791,451</u> |

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Graph 1
Net Assets
Governmental Activities
(in \$millions)



Property taxes receivable contributed \$6,463,767 or 57 percent of total assets. Of this amount \$5,061,732 is offset as deferred revenue; revenue to be used in future periods. In May of 2005 a 3.45 mill operating levy was passed yielding \$625,000 annually, beginning in fiscal year 2006, with full collection occurring in fiscal year 2007. Liabilities for Governmental Activities totaled \$6,985,340; of this amount \$583,493 or 8.4 percent is included in long-term liabilities. By comparing assets and liabilities, one can see the overall position of the School District is good. The vast majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$10,248,265 or 92.8 percent of total revenue. The most significant portion of the General revenue is the local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$794,898 or 7.2 percent of total revenue.

Columbia Local School District
Management's Discussion and Analysis
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Unaudited

Table 2 shows the changes in net assets for fiscal years 2005 and 2004.

Table 2
Changes in Net Assets

Table 2 - Governmental Activities

| Revenues | 2005 | 2004 |
|--|--------------------|--------------------|
| Program Revenues: | | |
| Charges for Services and Sales | \$421,880 | \$428,602 |
| Operating Grants, Interest and Contributions | 354,904 | 391,093 |
| Capital Grants and Contributions | 18,114 | 19,861 |
| <i>Total Program Revenues</i> | <u>794,898</u> | <u>839,556</u> |
| General Revenues: | | |
| Property Taxes | 6,493,032 | 4,827,287 |
| Grant and Entitlements not Restricted to Specific Programs | 3,613,171 | 3,551,709 |
| Investment Earnings | 64,139 | 18,296 |
| Miscellaneous | 77,923 | 58,258 |
| Total General Revenues | <u>10,248,265</u> | <u>8,455,550</u> |
| Total Revenues | <u>11,043,163</u> | <u>9,295,106</u> |
| Program Expenses | | |
| Instruction: | | |
| Regular | 4,324,948 | 3,907,264 |
| Special | 558,671 | 512,375 |
| Vocational | 67,706 | 85,412 |
| Other | 109,510 | 105,719 |
| Support Services: | | |
| Pupils | 581,702 | 487,675 |
| Instructional Staff | 264,100 | 301,520 |
| Board of Education | 66,394 | 103,808 |
| Administration | 711,677 | 611,601 |
| Fiscal | 279,667 | 303,743 |
| Operation and Maintenance of Plant | 977,854 | 817,063 |
| Pupil Transportation | 585,125 | 443,593 |
| Central | 97,571 | 92,564 |
| Food Service Operations | 281,356 | 279,854 |
| Extracurricular Activities | 343,079 | 457,738 |
| Interest and Fiscal Charges | 2,352 | 4,582 |
| Total Expenses | <u>9,251,712</u> | <u>8,514,511</u> |
| Change in Net Assets | 1,791,451 | 780,595 |
| <i>Net Assets Beginning of Year</i> | <u>2,553,821</u> | <u>1,773,226</u> |
| <i>Net Assets End of Year</i> | <u>\$4,345,272</u> | <u>\$2,553,821</u> |

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Governmental Activities

The School District prepared and closely monitored its five-year financial forecast that included forecasted revenues and expenditures for the School District's primary General operating fund. In May of 2005, the School District successfully passed a 3.45 mill, operating levy that generates \$625,000 in revenue per year. Collections on this new levy began in the second half of fiscal year 2006 with full collection of this levy realized in fiscal year 2007. The additional income is dedicated to fund the day-to-day operations of the School District (e.g., salaries, utilities, textbooks, transportation, etc.) and is expected to assist over five years of operation.

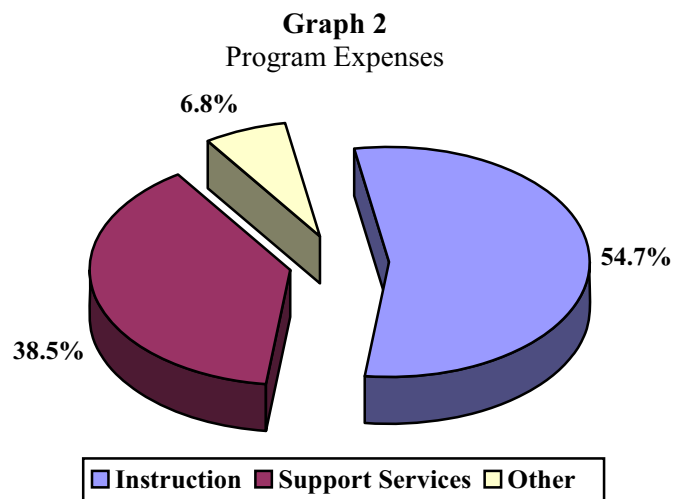
Ohio House Bill 920 effectively freezes tax revenue to a specific dollar amount the minute a levy is passed. This House Bill also eliminates any growth from local revenue; therefore, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of academically excellent service.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive grant and entitlement funds to help offset some operating costs. Property taxes made up 58.8 percent of revenues for governmental activities for Columbia Local Schools in fiscal year 2005.

Approximately 54.7 percent of the School District's budget is used for instructional expenses. Supporting services for pupils, staff and business operations account for an additional 38.5 percent. The remaining amount of program expenses, roughly 6.8 percent, is budgeted to facilitate other obligations of the School District including food service operations, extracurricular activities, and interest and fiscal charges.

The School District's net assets increased in fiscal year 2005 by \$1,791,451. The increase was primarily due to frugal management.

The Statement of Activities presents information about the cost of program services and the charges for services and any grants offsetting the cost of providing those services. Table 3 shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.



Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 3
Governmental Activities

| Programs | Total Cost of Services 2005 | Net Cost of Services 2005 |
|------------------------------------|--|--|
| Instruction: | | |
| Regular | \$4,324,948 | \$4,164,868 |
| Special | 558,671 | 386,618 |
| Vocational | 67,706 | 67,706 |
| Other | 109,510 | 109,510 |
| Support Services: | | |
| Pupils | 581,702 | 576,702 |
| Instructional Staff | 264,100 | 264,100 |
| Board of Education | 66,394 | 66,394 |
| Administration | 711,677 | 711,677 |
| Fiscal | 279,667 | 279,667 |
| Operation and Maintenance of Plant | 977,854 | 977,854 |
| Pupil Transportation | 585,125 | 585,125 |
| Central | 97,571 | 74,831 |
| Food Service Operations | 281,356 | (19,965) |
| Extracurricular Activities | 343,079 | 209,375 |
| Interest and Fiscal Charges | 2,352 | 2,352 |
| Total Expenses | \$9,251,712 | \$8,456,814 |

The reliance upon local tax revenues for governmental activities is crucial at Columbia Local Schools. More than 70 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs, investment earnings and other miscellaneous types of revenues support the remaining general activity costs. Program revenues account for only 8.6 percent of all governmental expenses.

The residents of the Columbia Local School District are the greatest source of financial support for the students of Columbia Local Schools.

School District's Funds

Information pertaining to the School District's major fund can be found on page 16. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$11,069,010 and expenditures and other financing uses of \$9,457,543.

General Fund Budgeting Highlights

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

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

During the course of the 2005 fiscal year, the School District amended its general fund several times.

The General Fund's budget basis revenue totaled \$9,200,827, which was \$657,492 more than the original budget estimate of \$8,543,335. The budget basis expenditures totaled \$8,841,934, which were \$120,102 less than the original appropriations of \$8,962,036.

The School District's ending unencumbered cash balance totaled \$1,854,909, which was \$777,594 higher than the originally budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$5,951,204 in land and land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Table 4 shows fiscal year 2005 values compared to 2004.

Table 4
Capital Assets

| | Governmental Activities | | |
|----------------------------|--------------------------------|--------------------|------------------|
| | 2005 | 2004 | Change |
| Land & Land Improvements | \$252,451 | \$248,651 | \$3,800 |
| Buildings and Improvements | 2,847,230 | 2,767,514 | 79,716 |
| Furniture and Equipment | 1,796,229 | 1,702,282 | 93,947 |
| Vehicles | 983,219 | 960,611 | 22,608 |
| Infrastructure | 72,075 | 72,075 | 0 |
| Total | \$5,951,204 | \$5,751,133 | \$200,071 |

For more information on capital assets refer to Note 8 of the basic financial statements.

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Debt

At June 30 2005, the School District's Energy Bonds were fully retired. Table 5 below compares the School District's bonds outstanding for fiscal years 2005 and 2004.

Table 5
Outstanding Debt

| | Governmental Activities | |
|---|--------------------------------|-------------|
| | 2005 | 2004 |
| General Obligation Bonds: | | |
| Energy Conservation Improvement 1994, 5.50% | 0 | 42,767 |
| Total Outstanding Debt | \$0 | \$42,767 |

These energy conservation bonds were issued in 1994 and were fully repaid in calendar year 2005.

School District Outlook

Columbia Local School District has continued to maintain the highest standards of service to our students, parents and community. The School District is continually presented with challenges and opportunities.

As the preceding information shows, the School District heavily depends on its residential property taxpayers. Our community's commitment to Columbia Local Schools was demonstrated by the May, 2005 passage of a 3.45 mill operating levy.

The continued financial support of the School District demonstrates the strong belief of parents and community members that their schools are one of the highest priorities and one of the most important public institutions in their community.

The School District has communicated to the community the extent upon which the School District relies upon their support for the major part of its operations, and will continue to work diligently to carefully monitor expenses, staying within the School District's five-year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth, however, forces the School District to come back to the voters from time to time and ask for additional financial support.

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The DeRolph Case

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed additional revenue growth toward the support of School Districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not “equitable” nor “adequate.” The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In September 2001, the Ohio Supreme Court issued another opinion regarding the State’s school funding plan. The decision identified aspects of the State’s plan that required modification for the plan to be considered constitutional. The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed in September 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 change be made retroactive to July 1, 2001. In 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. In March 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case remained under reconsideration by the Court until late 2002.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan (the DeRolph case). The decision reaffirmed earlier decisions that Ohio’s current school-funding decision was 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...”. Subsequent attempts by the Plaintiffs to enforce the ruling by the Court were met with a rejection by the Ohio Supreme Court. The Plaintiffs responded in August 2003, by filing a petition for a Writ of Certiorari with the U.S. Supreme Court, asking the Court to accept an appeal relative to the Ohio Supreme Court’s decision prohibiting Perry County Judge Linton Lewis from considering the Coalition’s motion to establish a compliance conference pertaining to the Court’s DeRolph school funding decisions. In October 2003, the U.S. Supreme Court denied the petition. As of the date of these financial statements, the consensus opinion is that the DeRolph case is over and done. The State continues to struggle with the development of a constitutional school funding system currently through the work of the Governor’s Blue Ribbon Task Force on Financing Student Success. The recommendations of the Task Force, which has been working diligently to reach consensus on school funding improvements to provide a system that is predictable, affordable, spends money effectively, and supports student achievement, are expected to be key to the development of the education portion of the state’s budget for the second year of the biennium (fiscal year 2005).

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

At this time the School District is unable to determine what effect, if any, the recommendations of the Governors's Blue Ribbon Task Force and their impact upon the biennial budget will have on the School District's State funding and its financial operations. As a result, all of the School District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the School District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the future needs of its students.

The Columbia Local School District has committed itself to financial and educational excellence for many years. This report represents the School District's implementation of the Governmental Accounting Standards Board's (GASB) new financial reporting model under Governmental Accounting and Financial Reporting Standards Statement No. 34 (GASB Statement No. 34). Columbia Local School District is committed to continuous improvement in financial reporting to our community.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mark S. Hullman, Treasurer, at Columbia Local School District, 25796 Royalton Road, Columbia Station, Ohio 44028, or e-mail at columb_mh@leeca.org.

Columbia Local School District

Statement of Net Assets

June 30, 2005

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$2,856,174 |
| Cash and Cash Equivalents with Fiscal Agent | 218,901 |
| Restricted Assets: | |
| Equity in Pooled Cash and Cash Equivalents | 39,064 |
| Interest Receivable | 6,553 |
| Intergovernmental Receivable | 54,069 |
| Prepaid Items | 44,223 |
| Materials and Supplies Inventory | 14,225 |
| Property Taxes Receivable | 6,463,767 |
| Nondepreciable Capital Assets | 57,921 |
| Depreciable Capital Assets, Net | <u>1,575,715</u> |
| <i>Total Assets</i> | <u>11,330,612</u> |
| Liabilities | |
| Accounts Payable | 142,646 |
| Accrued Wages and Benefits Payable | 834,894 |
| Intergovernmental Payable | 222,631 |
| Deferred Revenue | 5,061,732 |
| Claims Payable | 139,944 |
| Long-Term Liabilities: | |
| Due Within One Year | 33,296 |
| Due In More Than One Year | <u>550,197</u> |
| <i>Total Liabilities</i> | <u>6,985,340</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 1,633,636 |
| Restricted for: | |
| Capital Projects | 469,477 |
| Set Asides | 39,064 |
| Other Purposes | 158,684 |
| Unrestricted | <u>2,044,411</u> |
| <i>Total Net Assets</i> | <u><u>\$4,345,272</u></u> |

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets |
|------------------------------------|--------------------|-----------------------------------|--|-------------------------------------|---|
| | Expenses | Charges for Services and Sales | Operating Grants, Interest and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | \$4,324,948 | \$54,294 | \$87,672 | \$18,114 | (\$4,164,868) |
| Special | 558,671 | 0 | 172,053 | 0 | (386,618) |
| Vocational | 67,706 | 0 | 0 | 0 | (67,706) |
| Other | 109,510 | 0 | 0 | 0 | (109,510) |
| Support Services: | | | | | |
| Pupils | 581,702 | 0 | 5,000 | 0 | (576,702) |
| Instructional Staff | 264,100 | 0 | 0 | 0 | (264,100) |
| Board of Education | 66,394 | 0 | 0 | 0 | (66,394) |
| Administration | 711,677 | 0 | 0 | 0 | (711,677) |
| Fiscal | 279,667 | 0 | 0 | 0 | (279,667) |
| Operation and Maintenance of Plant | 977,854 | 0 | 0 | 0 | (977,854) |
| Pupil Transportation | 585,125 | 0 | 0 | 0 | (585,125) |
| Central | 97,571 | 0 | 22,740 | 0 | (74,831) |
| Food Service Operations | 281,356 | 233,882 | 67,439 | 0 | 19,965 |
| Extracurricular Activities | 343,079 | 133,704 | 0 | 0 | (209,375) |
| Interest and Fiscal Charges | 2,352 | 0 | 0 | 0 | (2,352) |
| <i>Totals</i> | <u>\$9,251,712</u> | <u>\$421,880</u> | <u>\$354,904</u> | <u>\$18,114</u> | <u>(\$8,456,814)</u> |

General Revenues

Property Taxes Levied for:

| | |
|---|-----------|
| General Purposes | 6,004,956 |
| Debt Service | 45,119 |
| Capital Projects | 442,957 |
| Grants and Entitlements not Restricted to Specific Programs | 3,613,171 |
| Investment Earnings | 64,139 |
| Miscellaneous | 77,923 |

Total General Revenues 10,248,265

Change in Net Assets 1,791,451

Net Assets Beginning of Year 2,553,821

Net Assets End of Year \$4,345,272

See accompanying notes to the basic financial statements

Columbia Local School District

Balance Sheet

Governmental Funds

June 30, 2005

| | General | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,203,359 | \$652,815 | \$2,856,174 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 39,064 | 0 | 39,064 |
| Interest Receivable | 6,553 | 0 | 6,553 |
| Interfund Receivable | 96,070 | 0 | 96,070 |
| Intergovernmental Receivable | 0 | 54,069 | 54,069 |
| Prepaid Items | 44,223 | 0 | 44,223 |
| Materials and Supplies Inventory | 0 | 14,225 | 14,225 |
| Property Taxes Receivable | 6,117,709 | 346,058 | 6,463,767 |
| <i>Total Assets</i> | <u>\$8,506,978</u> | <u>\$1,067,167</u> | <u>\$9,574,145</u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$112,942 | \$29,704 | \$142,646 |
| Accrued Wages and Benefits Payable | 793,997 | 40,897 | 834,894 |
| Intergovernmental Payable | 209,737 | 12,894 | 222,631 |
| Interfund Payable | 0 | 96,070 | 96,070 |
| Deferred Revenue | 4,833,825 | 260,971 | 5,094,796 |
| <i>Total Liabilities</i> | <u>5,950,501</u> | <u>440,536</u> | <u>6,391,037</u> |
| Fund Balances | | | |
| Reserved for Encumbrances | 274,557 | 110,144 | 384,701 |
| Reserved for Property Taxes | 1,283,884 | 85,087 | 1,368,971 |
| Reserved for Budget Stabilization | 39,064 | 0 | 39,064 |
| Unreserved, Undesignated | | | |
| Reported in: | | | |
| General Fund | 958,972 | 0 | 958,972 |
| Special Revenue Funds | 0 | 120,817 | 120,817 |
| Capital Projects Funds | 0 | 310,583 | 310,583 |
| <i>Total Fund Balances</i> | <u>2,556,477</u> | <u>626,631</u> | <u>3,183,108</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$8,506,978</u> | <u>\$1,067,167</u> | <u>\$9,574,145</u> |

See accompanying notes to the basic financial statements

Columbia Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2005

| | |
|---|--------------------|
| Total Governmental Fund Balances | \$3,183,108 |
|---|--------------------|

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

| | |
|---|-----------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 1,633,636 |
|---|-----------|

| | |
|--|--------|
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes. | 33,064 |
|--|--------|

| | |
|--|--------|
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | 78,957 |
|--|--------|

| | |
|---|-----------|
| Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds: | |
| Compensated Absences | (583,493) |
| General Obligation Bonds | 0 |

| | |
|-------|-----------|
| Total | (583,493) |
|-------|-----------|

| | |
|--|--------------------|
| <i>Net Assets of Governmental Activities</i> | \$4,345,272 |
|--|--------------------|

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

| | General | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property Taxes | \$6,060,618 | \$442,957 | \$6,503,575 |
| Intergovernmental | 3,584,775 | 383,300 | 3,968,075 |
| Interest | 60,563 | 0 | 60,563 |
| Tuition and Fees | 19,195 | 35,099 | 54,294 |
| Extracurricular Activities | 0 | 133,704 | 133,704 |
| Contributions and Donations | 2,505 | 15,609 | 18,114 |
| Charges for Services | 0 | 233,882 | 233,882 |
| Rentals | 5,036 | 0 | 5,036 |
| Miscellaneous | 70,065 | 2,822 | 72,887 |
| <i>Total Revenues</i> | <u>9,802,757</u> | <u>1,247,373</u> | <u>11,050,130</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 4,133,827 | 107,157 | 4,240,984 |
| Special | 524,317 | 50,466 | 574,783 |
| Vocational | 67,706 | 0 | 67,706 |
| Other | 109,510 | 0 | 109,510 |
| Support Services: | | | |
| Pupils | 382,435 | 179,201 | 561,636 |
| Instructional Staff | 246,225 | 30,261 | 276,486 |
| Board of Education | 66,394 | 0 | 66,394 |
| Administration | 709,136 | 18,561 | 727,697 |
| Fiscal | 278,350 | 3,578 | 281,928 |
| Operation and Maintenance of Plant | 975,970 | 1,565 | 977,535 |
| Pupil Transportation | 519,544 | 121,728 | 641,272 |
| Central | 69,748 | 26,647 | 96,395 |
| Operation of Non-Instructional Services | 0 | 271,942 | 271,942 |
| Extracurricular Activities | 251,225 | 103,753 | 354,978 |
| Capital Outlay | 0 | 144,298 | 144,298 |
| Debt Service: | | | |
| Principal Retirement | 0 | 42,767 | 42,767 |
| Interest and Fiscal Charges | 0 | 2,352 | 2,352 |
| <i>Total Expenditures</i> | <u>8,334,387</u> | <u>1,104,276</u> | <u>9,438,663</u> |
| <i>Excess of Revenues Under Expenditures</i> | <u>1,468,370</u> | <u>143,097</u> | <u>1,611,467</u> |
| Other Financing Sources (Uses) | | | |
| Transfers In | 0 | 18,880 | 18,880 |
| Transfers Out | (18,880) | 0 | (18,880) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(18,880)</u> | <u>18,880</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 1,449,490 | 161,977 | 1,611,467 |
| <i>Restated Fund Balances Beginning of Year - See Note 3</i> | 1,106,987 | 464,654 | 1,571,641 |
| <i>Fund Balances End of Year</i> | <u>\$2,556,477</u> | <u>\$626,631</u> | <u>\$3,183,108</u> |

See accompanying notes to the basic financial statements

Columbia Local School District

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

| | |
|---|--------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$1,611,467 |
|---|--------------------|

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | |
|----------------|------------------|
| Capital Outlay | 303,501 |
| Depreciation | <u>(169,348)</u> |

| | |
|-------|---------|
| Total | 134,153 |
|-------|---------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|----------------|----------|
| Property Taxes | (10,543) |
|----------------|----------|

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | |
|--|--------|
| | 42,767 |
|--|--------|

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | |
|----------------------|----------|
| Compensated Absences | (36,751) |
|----------------------|----------|

The internal service fund used by management to charge the costs of health insurance is included in the statement of activities and not in the governmental fund expenditures.

| | |
|--|---------------|
| | <u>50,358</u> |
|--|---------------|

Change in Net Assets of Governmental Activities

| | |
|--|---------------------------|
| | <u><u>\$1,791,451</u></u> |
|--|---------------------------|

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$5,221,564 | \$5,221,564 | \$5,384,681 | \$163,117 |
| Intergovernmental | 3,212,271 | 3,212,271 | 3,584,775 | 372,504 |
| Interest | 28,650 | 28,650 | 54,517 | 25,867 |
| Tuition and Fees | 16,100 | 16,100 | 19,195 | 3,095 |
| Rentals | 4,000 | 4,000 | 5,036 | 1,036 |
| Miscellaneous | 40,750 | 40,750 | 71,757 | 31,007 |
| <i>Total Revenues</i> | <u>8,523,335</u> | <u>8,523,335</u> | <u>9,119,961</u> | <u>596,626</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,235,969 | 4,299,401 | 4,251,702 | 47,699 |
| Special | 528,654 | 530,159 | 523,522 | 6,637 |
| Vocational | 105,616 | 108,785 | 97,795 | 10,990 |
| Other | 100,575 | 146,107 | 146,107 | 0 |
| Support Services: | | | | |
| Pupils | 360,198 | 386,135 | 385,789 | 346 |
| Instructional Staff | 235,979 | 254,333 | 248,270 | 6,063 |
| Board of Education | 77,518 | 86,904 | 57,939 | 28,965 |
| Administration | 606,402 | 714,645 | 714,288 | 357 |
| Fiscal | 246,512 | 333,177 | 328,418 | 4,759 |
| Business | 0 | 1,846 | 1,846 | 0 |
| Operation and Maintenance of Plant | 836,901 | 1,050,468 | 1,046,925 | 3,543 |
| Pupil Transportation | 592,298 | 538,937 | 536,846 | 2,091 |
| Central | 76,610 | 137,358 | 137,341 | 17 |
| Extracurricular Activities | 244,720 | 258,790 | 250,141 | 8,649 |
| Miscellaneous | 714,084 | 55 | 55 | 0 |
| <i>Total Expenditures</i> | <u>8,962,036</u> | <u>8,847,100</u> | <u>8,726,984</u> | <u>120,116</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (438,701) | (323,765) | 392,977 | 716,742 |
| Other Financing Uses | | | | |
| Advances In | 20,000 | 65,117 | 80,866 | 15,749 |
| Advances Out | 0 | (96,070) | (96,070) | 0 |
| Transfers Out | 0 | (18,880) | (18,880) | 0 |
| <i>Net Change in Fund Balance</i> | (418,701) | (373,598) | 358,893 | 732,491 |
| <i>Fund Balance Beginning of Year</i> | 1,295,846 | 1,295,846 | 1,295,846 | 0 |
| Prior Year Encumbrances Appropriated | 200,170 | 200,170 | 200,170 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$1,077,315</u> | <u>\$1,122,418</u> | <u>\$1,854,909</u> | <u>\$732,491</u> |

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2005

| | Self- Insurance Fund |
|--|-------------------------------------|
| Assets | |
| Cash and Cash Equivalents with Fiscal Agent | \$218,901 |
| Liabilities | |
| Claims Payable | <u>139,944</u> |
| Net Assets | |
| Unrestricted | <u><u>\$78,957</u></u> |

See accompanying notes to the basic financial statements

Columbia Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2005*

| | Self- Insurance Fund |
|-------------------------------------|-------------------------------------|
| Operating Revenues | |
| Charges for Services | \$713,627 |
| Operating Expenses | |
| Claims | 666,845 |
| <i>Operating Revenue</i> | 46,782 |
| Nonoperating Revenues | |
| Investment Earnings | 3,576 |
| <i>Change in Net Assets</i> | 50,358 |
| <i>Net Assets Beginning of Year</i> | 28,599 |
| <i>Net Assets End of Year</i> | \$78,957 |

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

| | |
|--|-------------------------|
| <hr/> <hr/> | |
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | |
| Cash Flows from Operating Activities | |
| Cash Received from Transactions with Other Funds | \$713,627 |
| Cash Payments for Claims | (632,421) |
| <i>Net Cash Provided by Operating Activities</i> | <u>81,206</u> |
| | |
| Cash Flows from Investing Activities | |
| Interest Received | <u>3,576</u> |
| | |
| <i>Net Increase in Cash and Cash Equivalents</i> | 84,782 |
| | |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>134,119</u> |
| | |
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$218,901</u></u> |
| | |
| <i>Reconciliation of Operating Income to</i> | |
| <i>Net Cash Used for Operating Activities</i> | |
| | |
| <i>Operating Income</i> | <u>\$46,782</u> |
| | |
| Adjustments to Reconcile Operating Income to | |
| Net Cash Used for Operating Activities | |
| Increase in Liabilities: | |
| Claims Payable | <u>34,424</u> |
| | |
| <i>Net Cash Used for Operating Activities</i> | <u><u>\$81,206</u></u> |

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

| | |
|---|------------------------|
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$71,103</u></u> |
|---|------------------------|

Liabilities and Fund Balances

Liabilities

| | |
|------------------|---------------|
| Accounts Payable | \$12,483 |
| Due to Students | <u>58,620</u> |

| | |
|--------------------------|------------------------|
| <i>Total Liabilities</i> | <u><u>\$71,103</u></u> |
|--------------------------|------------------------|

See accompanying notes to the basic financial statements

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 1 - Description of the School District

The Columbia Local School District (School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's three instructional and three support facilities staffed by 49 classified employees, 79 certified teachers and 9 administrators who provide services to 1,142 students.

The School District is located in Columbia Station, Ohio, Lorain County. The School District operates one elementary school (K-4), one middle school (5-8), and one high school (9-12). The School District's three support facilities include an administration building, transportation center, and maintenance garage.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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 Columbia Local School District, this includes general operations, food service, and student related activities of the School District.

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 voting majority 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 provides 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 their debt or the levying of their taxes. The School District has no component units.

The School District is associated with four jointly governed organizations. These organizations are the Lake Erie Educational Computer Association (LEECA), Lake Erie Regional Council of Governments (LERC), Lorain County Joint Vocational School District (LCJVSD), and the Ohio Schools Council Association (Council). These organizations and their relationships are discussed in Note 14 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the Columbia Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local 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 governmental activities and to its proprietary funds provided they do not

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity program is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. The major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

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.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net asset, financial position and cash flows and are classified as either enterprise or internal service. The School District only has one internal service fund.

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. The School District's internal service fund is a self-insurance program for employee medical and dental insurance.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust and agency funds. Columbia Local School District has no pension trust funds, no investment trust funds, and no private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two agency funds which are student activities and a pop sales operation.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means the transaction can be determined and available means the resource 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 the fiscal year-end.

Nonexchange 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 6). 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 nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The 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 governmental funds.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

at the fund level for all funds. The Treasurer has authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education, prior to fiscal year-end.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The School District has a segregated bank account for self-insurance monies held separate from the School District's central bank account. This depository account is presented on the statements as "cash and cash equivalents in with Fiscal Agent" since it is not required to be deposited into the School District treasury.

During fiscal year 2005, investments were limited to Certificate of Deposits, Money Market Account, and STAROhio, the State Treasurer's Investment Pool.

Columbia Local School District has invested funds in STAROhio (the State Treasury Asset Reserve of Ohio). 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, 2005.

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 presented as cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated and purchased food and materials.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside to create a reserve for budget stabilization. See Note 17 for additional information regarding set-asides.

J. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold was one thousand dollars during the fiscal year. 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.

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

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Land Improvements | 20 years |
| Infrastructure | 50 years |
| Buildings and Improvements | 50 years |
| Furniture and Equipment | 3 – 15 years |
| Vehicles | 10 years |

K. 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 employer 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 vesting method. An accrual for earned sick leave is made to the extent that 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.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service funds are reported on the internal service fund financial statements.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include student activities, various grants, and food service operations.

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Interfund Activity

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

P. Operating Revenue and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of this fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during this fiscal year.

R. Estimates

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

Note 3 – Accountability and Compliance

A. Fund Deficit

The IDEA B Grant Fund, which is a special revenue fund, had a deficit fund balance of \$11,498 as of June 30, 2005. This deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur. This fund complied with Ohio State Law which does not permit a cash fund deficit at year-end.

B. Change In Accounting Principles

For fiscal year 2005, the District implemented GASB Statement No. 40, “Deposits and Investment Risk Disclosures” and GASB Technical Bulletin 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers”.

GASB Statement No. 40 established and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also established and modified disclosure requirements for custodial risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The implementation of GASB Statement No. 40 did not have an effect on these financial statements, however, additional note disclosure can be found in Note 5. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District, as they were previously reported as of June 30, 2004:

| | General | NonMajor | Total |
|--|--------------------|------------------|--------------------|
| Fund Balances June 30, 2004 | \$1,161,523 | \$471,502 | \$1,633,025 |
| | | 0 | |
| GASB Technical Bulletin No. 2004-2 | (54,536) | (6,848) | (61,384) |
| Restated Fund Balances at June 30, 2004 | \$1,106,987 | \$464,654 | \$1,571,641 |

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

| Net Change in Fund Balance | |
|---|------------------|
| GAAP Basis | \$1,449,490 |
| Net Adjustment for Revenue Accruals | (601,930) |
| Net Adjustment for Expenditure Accruals | (101,168) |
| Adjustment for Encumbrances | (387,499) |
| Budget Basis | \$358,893 |

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of 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 the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
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 (STAROhio);

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Cash on Hand At year end, the School District had \$1,000 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

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 \$2,103,102 and the bank balance was \$2,155,554. Of the bank balance:

1. \$100,000 of the bank balance was covered by depository insurance; and
2. \$2,055,554 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution'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 FDIC.

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$2,055,554 of the District's bank balance of \$2,155,554 was exposed to custodial risk as discussed below, while \$100,000 was covered by FDIC.

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

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Investments As of June 30, 2005, the District had the following investments and maturities:

| | Balance at Fair Value | Investments Mature In 6 Months or Less |
|--------------------------|-----------------------------|---|
| Money Market | \$1,107 | \$1,107 |
| STAROhio | 1,080,033 | 1,080,033 |
| Total Investments | \$1,081,140 | \$1,081,140 |

The weighted average maturity of investments is .5 years.

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

Custodial Credit Risk: For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investments in a money market account, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. Standard and Poor's has assigned STAROhio an AAAM rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. As of June 30, 2005, the money market investment represented one-tenth of one percent of total investments and STAROhio represented 99.9 percent.

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above, to cash and investments as reported on the Statement of Net Assets as of June 30, 2005:

| | |
|---|--------------------|
| <u>Cash and Investments per footnote</u> | |
| Carrying amount of deposits | \$2,103,102 |
| Investments | 1,081,140 |
| Cash on hand | 1,000 |
| Total | \$3,185,242 |
| <u>Cash and Investments per Statement of Net Assets</u> | |
| Unrestricted and Restricted Cash | \$3,114,139 |
| Agency Fund | 71,103 |
| Total | \$3,185,242 |

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lorain County. The County Auditors 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$1,283,884 in the general fund and \$85,087 in the permanent improvement fund. The amount available as an advance at June 30, 2004, was \$607,947 in the general fund and \$54,925 in the permanent improvement service fund. The difference was in the timing and collection by the County Auditor.

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

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The assessed values upon which the fiscal year 2005 taxes were collected are:

| | 2004 Second- Half Collections | | 2005 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$164,680,120 | 94.50% | \$171,090,290 | 94.41% |
| Public Utility Property | 6,759,180 | 3.88 | 6,737,440 | 3.72 |
| Tangible Personal Property | 2,806,050 | 1.62 | 3,391,005 | 1.87 |
| Total | \$174,245,350 | 100.00% | \$181,218,735 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$56.66 | | \$55.98 | |

Note 7 - Receivables

Receivables at June 30, 2005, consisted of interest property taxes, interfund, 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 except delinquent property taxes.

Intergovernmental receivables are as follows:

| | |
|-------------------|-----------------|
| Federal Nutrition | \$9,222 |
| Ohio Reads Grant | \$6,562 |
| Idea B Grant | 25,627 |
| Title V Grant | 3,789 |
| Drug Free Grant | 2,638 |
| Title II-A Grant | 6,231 |
| Total | \$54,069 |

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

| | Balance 6/30/04 | Additions | Deletions | Balance 6/30/05 |
|---|--------------------|-----------|-----------|--------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, not being depreciated:</i> | | | | |
| Land | \$57,921 | \$0 | \$0 | \$57,921 |
| <i>Capital Assets, being Depreciated</i> | | | | |
| Land Improvements | 190,730 | 3,800 | 0 | 194,530 |
| Infrastructure | 72,075 | 0 | 0 | 72,075 |
| Buildings and Improvements | 2,767,514 | 79,716 | 0 | 2,847,230 |
| Furniture and Equipment | 1,702,282 | 98,437 | (4,490) | 1,796,229 |
| Vehicles | 960,611 | 121,548 | (98,940) | 983,219 |
| <i>Total Capital Assets, being Depreciated</i> | 5,693,212 | 303,501 | (103,430) | 5,893,283 |
| | | | | |
| | Balance 6/30/04 | Additions | Deletions | Balance 6/30/05 |
| Less: Accumulated Depreciation: | | | | |
| Land Improvements | 115,911 | 4,430 | 0 | 120,341 |
| Infrastructure | 43,572 | 1,332 | 0 | 44,904 |
| Buildings and Improvements | 2,089,018 | 46,160 | 0 | 2,135,178 |
| Furniture and Equipment | 1,484,452 | 46,491 | (4,490) | 1,526,453 |
| Vehicles | 518,697 | 70,935 | (98,940) | 490,692 |
| <i>Total Accumulated Depreciation</i> | 4,251,650 | 169,348 * | (103,430) | 4,317,568 |
| <i>Total Capital Assets, being Depreciated, Net</i> | 1,441,562 | 134,153 | 0 | 1,575,715 |
| <i>Governmental Activities Capital Assets, Net</i> | \$1,499,483 | \$134,153 | \$0 | \$1,633,636 |

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

* Depreciation expense was charged to governmental functions as follows:

| | |
|---|------------------|
| Instruction: | |
| Regular | \$58,651 |
| Special | 211 |
| Support Services: | |
| Pupils | 2,400 |
| Instructional Staff | 842 |
| Administration | 4,239 |
| Operation and Maintenance of Plant | 6,300 |
| Pupil Transportation | 79,683 |
| Central | 2,648 |
| Operation of Non-Instructional Services | 9,437 |
| Extracurricular | 4,937 |
| Total Depreciation Expense | <u>\$169,348</u> |

Note 9 - Risk Management

A. Property and Liability

The School 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. During fiscal year 2005, the School District contracted with the Somers Agency Inc. for property insurance. The primary deductibles are \$1,000 for property coverages. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

Public officials bonds of \$20,000 are maintained for the superintendent and the board president by Continental Casualty Company. The Travelers Casualty and Surety Company of America maintains a \$20,000 public officials bond for the treasurer.

B. Workers' Compensation

The School District participates in the Ohio School Boards Association Workers' 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.

C. Employee Health Benefits

The School District has contracted with Lake Erie Employee Protection Plan (LEEP) to provide for health and dental insurance. LEEP is a program administered by Lake Erie Regional Council of Governments (LERC). The LEEP is a claims sharing pool comprised of eleven school districts that provide public education within Lorain County. The District pays monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow however individual balances are maintained. The plan contains a stop-loss provision of \$165,000 per participant.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The claim liability of \$139,944 reported at June 30, 2005 was estimated by LERC and is based on the requirements of Governmental Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. Changes in the balance of claims liability for fiscal years 2003, 2004, and 2005 are summarized below. Incurred claims and claims payments are not segregated between current and prior year's claims due to the impracticability of obtaining such information.

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2003 | \$91,771 | \$534,763 | \$485,614 | \$140,920 |
| 2004 | 140,920 | 481,233 | 516,633 | 105,520 |
| 2005 | 105,520 | 666,845 | 632,421 | 139,944 |

Note 10 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per year, depending upon length of service. Vacation days are credited to classified employees on July first and employees can carryover into the next fiscal year five vacation days a year. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. 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. A percentage of unused sick time is paid at retirement. The number of unused sick days which can accumulate is restricted.

B. Life Insurance

Life insurance and accidental death and dismemberment insurance is offered to employees through Diversified Benefits Plans Incorporated.

Note 11- 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$179,869, \$173,159 and \$167,900 respectively; 44.3 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$593,638, \$567,028, and \$566,500 respectively; 84.1 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$1,389 made by the School District and \$8,076 made by the plan members.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 12 - 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependants are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$42,403 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$71,468.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113 and the target level was \$267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS had approximately 58,123 participants currently receiving health care benefits.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 13 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

| | Principal Outstanding 6/30/04 | Additions | Deletions | Principal Outstanding 6/30/05 | Amounts Due in One Year |
|--|-------------------------------------|-----------|-----------|-------------------------------------|-------------------------------|
| Governmental Activities | | | | | |
| Energy Conservation Improvement Bonds 1994, 5.50% | \$42,767 | \$0 | \$42,767 | \$0 | \$0 |
| Total General Obligation Bonds | 42,767 | 0 | 42,767 | 0 | 0 |
| Compensated Absences | 647,760 | 0 | 64,267 | 583,493 | 33,296 |
| Total Governmental Activities | \$690,527 | \$0 | \$107,034 | \$583,493 | \$33,296 |

General obligation bonds for the purpose of paying costs of installations, modifications, and remodeling school buildings to conserve energy were completely paid from property taxes in the debt service fund. Compensated absences will be paid from the General and Food Service funds.

Note 14 - Jointly Governed Organizations

A. Lake Erie Educational Computer Association

The Lake Erie Educational Computer Association (LEECA) is a jointly governed computer service Bureau that was formed for the purpose of providing data services to its thirty member districts. Major areas of service provided by LEECA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LEECA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Lorain County Educational Service Center serves as the fiscal agent of LEECA. Each school district supports LEECA based upon a per pupil charge dependent upon the software packages used. In fiscal year 2005, the School District paid \$12,111 to LEECA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 1885 Lake Avenue, Elyria, OH 44035.

B. Lake Erie Regional Council of Governments

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among eleven 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 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.

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 Lorain County Educational Service Center located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2005, the District paid \$ 690,636 to LERC.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

C. Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District (LCJVSD) is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of 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 to activities. The District's students may attend 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.

D. Ohio School's Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2005, the School District paid \$1,813 to the Council. Financial information can be obtained by contacting David A. Cottrel, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This 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.

Note 15 – Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 16 - 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, 2005.

Columbia Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 17 - 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 and construction of capital improvements. Amounts not spent by the end of the fiscal year 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. At June 30, 2005, only the unspent portions continue to be a set-aside.

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

| | Textbooks | Capital Improvements | Budget Stabilization |
|---|-------------------|-------------------------|-------------------------|
| Set-Aside Reserve Balance as of June 30, 2004 | (\$15,727) | \$0 | \$39,064 |
| Current Year Set-Aside Requirement | 157,031 | 157,031 | 0 |
| Current Year Offset | 0 | 0 | 0 |
| Qualifying Disbursements | (186,087) | (201,651) | 0 |
| Totals | <u>(\$44,783)</u> | <u>(\$44,620)</u> | <u>\$39,064</u> |
| Set-Aside Balances Carried Forward to Future Fiscal Years | <u>(\$44,783)</u> | <u>\$0</u> | <u>\$39,064</u> |
| Set-Aside Reserve Balance as of June 30, 2005 | <u>\$0</u> | <u>\$0</u> | <u>\$39,064</u> |

Textbook expenditures and offset credits exceeded the statutory requirement by \$44,783, which may be used to reduce the set-aside requirement for future years. Capital improvements expenditures and offset credits exceeded statutory requirements by \$44,620, which may not be used to reduce set-aside requirements for future years. Therefore, the Capital Improvements balance is not carried forward to future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$39,064.

Note 18 - 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 decision 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 its future State funding and on its financial operations.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Columbia Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated February 22, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated February 22, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Education. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 22, 2006

COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2005

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

FINDING NUMBER 2005-001

Certification of Availability of Funds

Ohio Rev. Code Section 5705.41 (D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2005**

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

**FINDING NUMBER 2005-001
(Continued)**

Certification of Availability of Funds (Continued)

Sixteen of sixty-one (twenty-six percent) transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2005-002

Requirements of SAS 70

The District has delegated employees' health care claims processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that the health insurance claims have not been completely and accurately processed in accordance with the health insurance contract.

Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness in accordance with SAS No. 70 should provide the District with reasonable assurance that health insurance claim transactions conform to the contract.

We recommend the District require a Type II SAS 70 report in its contract with the third-party administrator. The District should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standings with the Accountancy Board of the respective state.



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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
MARCH 28, 2006**