



Mary Taylor, CPA
Auditor of State

**COLLEGE CORNER LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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**COLLEGE CORNER LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

College Corner Local School District
Preble County
230 Ramsey Street
College Corner, Ohio 45003

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of College Corner Local School District, Preble County, Ohio (the School District), as of and for the years ended June 30, 2006 and June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of College Corner Local School District, Preble County, Ohio, as of June 30, 2006 and June 30, 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the years ended June 30, 2006 and June 30, 2005, the School District ceased to report using generally accepted accounting principles and reported on the modified cash basis in a format comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2007, on our consideration of the School 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 the Governmental Accounting Standards Board 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 2, 2007

College Corner Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of College Corner Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006, within the limitations of the School District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

In total, net assets increased \$340,827 which represents a 9.1 percent increase from fiscal year 2005.

General receipts accounted for \$1,005,227 in receipts or 79.5 percent of all receipts. Program specific receipts in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$259,684 or 20.5 percent of total receipts of \$1,264,911.

The School District had \$924,084 in disbursements; only \$259,684 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes and entitlements) were \$1,005,227, which were adequate to provide for these programs.

The General Fund had \$1,183,588 in receipts and \$795,000 in disbursements. The General Fund's balance increased \$332,534 over fiscal year 2005.

Using this Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

College Corner Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities – Modified Cash Basis

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during 2006, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds, not the School District as a whole. 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 only major governmental fund is the General Fund.

College Corner Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Governmental Funds

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 fiscal year-end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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 School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared to fiscal year 2005 on a modified cash basis:

Table 1
Net Assets

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,402,104	\$1,024,102	\$378,002
Capital Assets	<u>2,689,348</u>	<u>2,726,523</u>	<u>(37,175)</u>
<i>Total Assets</i>	<u>4,091,452</u>	<u>3,750,625</u>	<u>340,827</u>
Net Assets:			
Invested in Capital Assets	2,689,348	2,726,523	(37,175)
Restricted	184,963	124,732	60,231
Unrestricted	<u>1,217,141</u>	<u>899,370</u>	<u>317,771</u>
<i>Total Net Assets</i>	<u>\$4,091,452</u>	<u>\$3,750,625</u>	<u>\$340,827</u>

Total net assets of governmental activities increased by \$340,827, as cash and cash equivalents increased by \$378,002 and capital assets decreased by \$37,175. Capital assets decreased by the current fiscal year depreciation because there were no additions. Total net assets increased due to disbursements closely being examined by the Board in order to save money for Phase III of the building project.

College Corner Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2006 compared to fiscal year 2005.

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Receipts:			
Program Receipts:			
Charges for Services	\$182,052	\$183,046	(994)
Operating Grants and Contributions	74,496	111,317	(36,821)
Capital Grants and Contributions	3,136	0	3,136
<i>Total Program Receipts</i>	<u>259,684</u>	<u>294,363</u>	<u>(34,679)</u>
General Receipts:			
Property Taxes Levied for:			
General Purposes	179,496	165,074	14,422
Capital Outlay	40,062	36,921	3,141
Grants and Entitlements not Restricted to			
Specific Programs	629,312	707,318	(78,006)
Gifts and Donations	500	500	0
Investment Earnings	49,560	17,887	31,673
Miscellaneous	106,297	72,156	34,141
<i>Total General Receipts</i>	<u>1,005,227</u>	<u>999,856</u>	<u>5,371</u>
<i>Total Receipts</i>	<u>1,264,911</u>	<u>1,294,219</u>	<u>(29,308)</u>
Program Disbursements:			
Instruction:			
Regular	702,923	651,421	51,502
Special	12,307	11,067	1,240
Support Services:			
Instructional Staff	62,147	46,377	15,770
Board of Education	19,067	51,372	(32,305)
Administration	77,080	74,003	3,077
Fiscal	24,872	31,288	(6,416)
Operation and Maintenance of Plant	25,688	43,408	(17,720)
Central	0	8,495	(8,495)
Operation of Non-Instructional Services	0	7,460	(7,460)
<i>Total Disbursements</i>	<u>924,084</u>	<u>924,891</u>	<u>(\$807)</u>
<i>Increase in Net Assets</i>	340,827	369,328	
<i>Net Assets at Beginning of Year</i>	<u>3,750,625</u>	<u>3,381,297</u>	
<i>Net Assets at End of Year</i>	<u>\$4,091,452</u>	<u>\$3,750,625</u>	

College Corner Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Governmental Activities

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 17.4 percent of receipts for governmental activities for the College Corner Local School District for fiscal year 2006. Grants and Entitlements not restricted to specific programs made up 49.8 percent of receipts for governmental activities.

Instruction comprises 77.4 percent of School District disbursements. Support services disbursements make up 22.6 percent of the disbursements.

The significant increase in investment earnings was due to an increase in interest rates and the amount of money available to invest from fiscal year 2005.

The significant decrease in operating grants and contributions was due to the School District not receiving Title I monies because of an enrollment decrease.

The significant decrease in grants and entitlements not restricted to specific programs was due to a decrease in enrollment, which decreased foundation revenue.

The significant increase in regular instruction was due to first year depreciation on the building.

The significant decrease in board of education support services was due to the School District not contracting the services of the Treasurer to the Preble County Educational Service Center.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction:				
Regular	\$702,923	(\$507,174)	\$651,421	(\$450,845)
Special	12,307	35,268	11,067	51,867
Support Services:				
Instructional Staff	62,147	(57,629)	46,377	(32,943)
Board of Education	19,067	(19,067)	51,372	(51,372)
Administration	77,080	(72,080)	74,003	(69,003)
Fiscal	24,872	(18,736)	31,288	(28,288)
Operation and Maintenance of Plant	25,688	(25,688)	43,408	(43,408)
Central	0	0	8,495	327
Operation of Non-Instructional Services	0	706	7,460	(6,863)
<i>Total Expenses</i>	<u>\$924,084</u>	<u>(\$664,400)</u>	<u>\$924,891</u>	<u>(\$630,528)</u>

College Corner Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District's Funds

The School District's major funds are accounted for using the modified cash basis of accounting. All governmental funds had total receipts of \$1,264,911 and disbursements of \$886,909. The General Fund had an increase in fund balance of \$332,534 due to a decrease in capital outlay disbursements relating to the building project.

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 most significant budgeted fund is the General Fund.

During the course of fiscal year 2006 the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund original and final budgeted amounts is listed on page 17, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, budget basis receipts were \$1,184,682 which was above the original estimates of \$1,114,951. The \$69,731 difference was mainly due to an increase in interest and miscellaneous revenue.

For the General Fund, budget basis disbursements were \$1,170,587 which was \$61,584 above the original estimates of \$1,109,003. Actual disbursements in the General Fund were \$841,621 which was \$328,966 below the final budget basis disbursements. The difference was primarily from operation and maintenance of plant disbursements.

The School District's ending unobligated General Fund cash balance was \$1,239,391.

Capital Assets

At the end of fiscal year 2006, the School District had \$2,689,348 invested in land, building and improvements, and furniture and equipment.

Table 4 shows fiscal year 2006 balances compared to fiscal year 2005.

Table 4
Capital Assets (Net of Depreciation) at June 30,

	2006	2005	Change
Land	\$2,000	\$2,000	\$0
Building and Improvements	2,685,074	2,721,606	(36,532)
Furniture and Equipment	2,274	2,917	(643)
<i>Totals</i>	\$2,689,348	\$2,726,523	(\$37,175)

For more information on capital assets, see Note 6 of the Basic Financial Statements.

College Corner Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Jeremie Hittle at College Corner Local School District, 230 Ramsey Street, College Corner, Ohio 45003 or at ccbo_jh@swoca.net

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College Corner Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2006

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,402,104
Nondepreciable Capital Assets	2,000
Depreciable Capital Assets, Net	2,687,348
<i>Total Assets</i>	4,091,452
 Net Assets:	
Invested in Capital Assets	2,689,348
Restricted for:	
Capital Outlay	64,319
Other Purposes	46,290
Set-Asides	74,354
Unrestricted	1,217,141
<i>Total Net Assets</i>	\$4,091,452

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Total
Governmental Activities:					
Instruction:					
Regular	\$702,923	\$182,052	\$13,697	\$0	(\$507,174)
Special	12,307	0	47,575	0	35,268
Support Services:					
Instructional Staff	62,147	0	4,518	0	(57,629)
Board of Education	19,067	0	0	0	(19,067)
Administration	77,080	0	5,000	0	(72,080)
Fiscal	24,872	0	3,000	3,136	(18,736)
Operation and Maintenance of Plant	25,688	0	0	0	(25,688)
Operation of Non-Instructional Services	0	0	706	0	706
<i>Total Governmental Activities</i>	<u>\$924,084</u>	<u>\$182,052</u>	<u>\$74,496</u>	<u>\$3,136</u>	<u>(664,400)</u>

General Receipts:

Property Taxes Levied for:		
General Purposes		179,496
Capital Outlay		40,062
Grants and Entitlements not Restricted to		
Specific Programs		629,312
Gifts and Donations		500
Investment Earnings		49,560
Miscellaneous		106,297
<i>Total General Receipts</i>		<u>1,005,227</u>
<i>Change in Net Assets</i>		340,827
<i>Net Assets Beginning of Year</i>		<u>3,750,625</u>
<i>Net Assets End of Year</i>		<u>\$4,091,452</u>

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,217,141	\$110,609	\$1,327,750
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	74,354	0	74,354
<i>Total Assets</i>	\$1,291,495	\$110,609	\$1,402,104
 Fund Balances:			
Reserved for Encumbrances	\$46,621	\$16,509	\$63,130
Reserved for Budget Stabilization	20,846	0	20,846
Reserved for Textbooks and Instructional Materials	53,508	0	53,508
Unreserved, Undesignated, Reported in:			
General Fund	1,170,520	0	1,170,520
Special Revenue Funds	0	29,781	29,781
Capital Projects Funds	0	64,319	64,319
<i>Total Fund Balances</i>	\$1,291,495	\$110,609	\$1,402,104

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities - Modified Cash Basis
 June 30, 2006

Total Governmental Fund Balances \$1,402,104

**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. These assets
 consist of:

Land	2,000	
Building and Improvements	2,759,310	
Furniture and Equipment	5,145	
Accumulated Depreciation	(77,107)	
Total Capital Assets	2,689,348	2,689,348

Net Assets of Governmental Activities \$4,091,452

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Receipts:			
Property Taxes	\$179,496	\$40,062	\$219,558
Tuition and Fees	115,052	0	115,052
Interest	49,560	0	49,560
Intergovernmental	665,683	41,261	706,944
Rent	67,000	0	67,000
Gifts and Donations	500	0	500
Miscellaneous	106,297	0	106,297
<i>Total Receipts</i>	<u>1,183,588</u>	<u>81,323</u>	<u>1,264,911</u>
Disbursements:			
Current:			
Instruction:			
Regular	605,783	60,608	666,391
Special	0	12,307	12,307
Support Services:			
Instructional Staff	46,347	15,800	62,147
Board of Education	19,067	0	19,067
Administration	74,383	2,316	76,699
Fiscal	23,732	878	24,610
Operation and Maintenance of Plant	25,688	0	25,688
<i>Total Disbursements</i>	<u>795,000</u>	<u>91,909</u>	<u>886,909</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>388,588</u>	<u>(10,586)</u>	<u>378,002</u>
Other Financing Sources (Uses):			
Advances - In	0	56,054	56,054
Advances - Out	(56,054)	0	(56,054)
<i>Total Other Financing Sources (Uses)</i>	<u>(56,054)</u>	<u>56,054</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	332,534	45,468	378,002
<i>Fund Balances at Beginning of Year</i>	<u>958,961</u>	<u>65,141</u>	<u>1,024,102</u>
<i>Fund Balances at End of Year</i>	<u>\$1,291,495</u>	<u>\$110,609</u>	<u>\$1,402,104</u>

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$378,002

**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. In the current period,
these amounts are:

Excess of Capital Outlay over Depreciation Expense (37,175)

Change in Net Assets of Governmental Activities \$340,827

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	
Receipts:				
Property Taxes	\$160,250	\$179,594	\$179,594	\$0
Tuition and Fees	100,000	115,052	115,052	0
Interest	10,000	50,920	50,920	0
Intergovernmental	691,200	668,763	668,763	0
Rent	67,000	67,000	67,000	0
Gifts and Donations	1,000	500	500	0
Customer Sales and Services	25,000	0	0	0
Miscellaneous	60,501	102,853	102,853	0
<i>Total Receipts</i>	<u>1,114,951</u>	<u>1,184,682</u>	<u>1,184,682</u>	<u>0</u>
Disbursements:				
Current:				
Instruction:				
Regular	662,348	673,425	605,777	67,648
Support Services:				
Instructional Staff	136,832	136,832	74,067	62,765
Board of Education	52,386	54,638	25,841	28,797
Administration	82,036	86,994	75,017	11,977
Fiscal	41,989	79,832	28,338	51,494
Operation and Maintenance of Plant	128,412	133,866	30,581	103,285
Operation of Non-Instructional Services	5,000	5,000	2,000	3,000
<i>Total Disbursements</i>	<u>1,109,003</u>	<u>1,170,587</u>	<u>841,621</u>	<u>328,966</u>
<i>Excess of Receipts Over Disbursements</i>	<u>5,948</u>	<u>14,095</u>	<u>343,061</u>	<u>328,966</u>
Other Financing Sources (Uses):				
Refund of Prior Year Disbursements	0	3,444	3,444	0
Advances - In	25,578	0	0	0
Advances - Out	0	(56,054)	(56,054)	0
Transfers - Out	(958,338)	(888,297)	0	888,297
Other Financing Uses	(22,128)	(22,128)	0	22,128
<i>Total Other Financing Sources (Uses)</i>	<u>(954,888)</u>	<u>(963,035)</u>	<u>(52,610)</u>	<u>910,425</u>
<i>Net Change in Fund Balances</i>	(948,940)	(948,940)	290,451	1,239,391
<i>Fund Balance at Beginning of Year</i>	898,154	898,154	898,154	0
<i>Prior Year Encumbrances Appropriated</i>	50,786	50,786	50,786	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$1,239,391</u>	<u>\$1,239,391</u>

See Accompanying Notes to the Basic Financial Statements

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College Corner Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The College Corner Local School District, Preble County, Ohio (the “School District”), is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The College Corner Local School District is a local district as defined by Section 3311.03, of the Ohio Revised Code. The School District operates under a five member elected Board of Education and is responsible for the provision of public education to residents of the School District.

Due to the location of the College Corner Local School District, situated on the Ohio-Indiana State line, the School District is administered by a Joint Board. On July 1, 1995, a reorganization agreement between the College Corner Local School District and the Union County School Corporation (an Indiana school district) became effective. Under this agreement, the two school districts became the Union County-College Corner Joint School District. The Joint School District is administered by a Joint Board, comprised of nine members. Seven members are school board members from the Union County School Corporation and the remaining two members are from the College Corner Local School District. The reorganization agreement may be terminated between any two school years by the mutual agreement of both the Union County School Corporation and the College Corner Local School District.

The Joint Board has the authority to set the annual budget of the Joint School District. In addition, the Joint Board has the duty and power to operate and establish policies for the Joint School District in accordance with federal law and the laws of the State of Indiana to the fullest extent possible. The Joint Board is to follow Indiana law exclusively, unless expressly provided for in the reorganization agreement. The local Board of Education of the College Corner Local School District has authority over issues pertaining to tax rates for revenue collected from Ohio taxpayers and personnel working directly for the local Board of Education.

With regard to financial management, according to the reorganization agreement, the Union County School Corporation is the “administering” district. The administering district is the district delegated the responsibility to maintain the books and records, issue contracts, and perform day-to-day operations. The College Corner Local School District makes payments to the Union County School Corporation. The College Corner Local School District keeps a record of just its transactions in its accounting system maintained by the Southwestern Ohio Computer Association. College Corner Local School District contracts with the Preble County Educational Service Center to provide financial and superintendent secretarial services. The School District has a five year employment contract with the Superintendent, who is employed part-time and does not earn any type of leave or receive any insurance benefits.

Reporting Entity:

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

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 provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in one jointly governed organization, the Southwest Ohio Computer Association (Note 11).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Section C of Note 2, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more 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 financial 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. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, does not have any activities which are presented as business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Net Assets presents the cash balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

Fund Financial Statements:

During the fiscal 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District are classified as governmental funds.

Governmental Funds:

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the object level within each fund and function.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in all funds.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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, including all supplemental appropriations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. 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” on the financial statements.

During fiscal year 2006, the School District’s investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2006 were \$49,560, which included \$2,200 assigned from other School District funds.

Investments of the cash management pool are presented on the financial statements as cash equivalents.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the 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 law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent amounts required by State statute to be set aside for budget stabilization and the purchase of textbooks and instructional materials.

G. Capital Assets

The School District’s only capital assets are general capital assets. General capital assets result from disbursements 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.

College Corner Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District does not maintain a capitalization threshold. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	75 years
Furniture and Equipment	5-20 years

H. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net 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 resources restricted for federal and State grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Net Assets reports \$184,963 of restricted net assets, none of which is restricted by enabling legislation.

J. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, budget stabilization, and textbooks and instructional materials.

College Corner Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The reserve for budget stabilization represents money received from the Bureau of Workers' Compensation. The reserve for textbooks represents money required to be set-aside by State statute for the purchase of textbooks and instructional materials.

K. Estimates

The modified cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and unrecorded cash which represents amounts received but not included on the budget basis operating statement. This amount is included as revenue on the modified cash basis operating statement.

The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the General Fund.

	<u>Net Change in Fund Balance</u>
	<u>General</u>
Modified Cash Basis	\$332,534
Unrecorded Cash FY 2005	10,021
Unrecorded Cash FY 2006	(5,483)
Adjustment for Encumbrances	<u>(46,621)</u>
Budget Basis	<u><u>\$290,451</u></u>

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and

College Corner Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2006 the School District only had investments in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$1,372,343</u>	<u>Average 35 Days</u>

Interest Rate Risk

The School District's investment policy follows State statute, which requires that an investment mature within five years of the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

NOTE 5 - 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 year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

College Corner Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 - PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Butler and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$8,079,250	89.21%	\$8,144,550	88.90%
Public Utility Personal	751,780	8.30%	812,520	8.87%
General Business Personal	225,584	2.49%	204,176	2.23%
Total	<u>\$9,056,614</u>	<u>100.00%</u>	<u>\$9,161,246</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$32.10		\$32.10	

College Corner Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - CAPITAL ASSETS

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

	<u>Balance</u> 6/30/05	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 6/30/06
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$2,000	\$0	\$0	\$2,000
Capital Assets, Being Depreciated:				
Building and Improvements	2,759,310	0	0	2,759,310
Furniture and Equipment	5,145	0	0	5,145
Total Capital Assets, Being Depreciated	<u>2,764,455</u>	<u>0</u>	<u>0</u>	<u>2,764,455</u>
Less Accumulated Depreciation:				
Building and Improvements	(37,704)	(36,532)	0	(74,236)
Furniture and Equipment	(2,228)	(643)	0	(2,871)
Total Accumulated Depreciation	<u>(39,932)</u>	<u>(37,175) *</u>	<u>0</u>	<u>(77,107)</u>
Capital Assets, Being Depreciated, Net	<u>2,724,523</u>	<u>(37,175)</u>	<u>0</u>	<u>2,687,348</u>
Governmental Activities Capital Assets, Net	<u><u>\$2,726,523</u></u>	<u><u>(\$37,175)</u></u>	<u><u>\$0</u></u>	<u><u>\$2,689,348</u></u>

* Depreciation expense was charged to governmental functions as follows:

Support Services:	
Regular	\$36,532
Administration	381
Fiscal	<u>262</u>
Total Depreciation Expense	<u><u>\$37,175</u></u>

NOTE 7 – INTERFUND ADVANCES

At June 30, 2006, the General Fund had an unpaid interfund cash advance, in the amount of \$56,054, for a short-term loan made to other governmental funds. This is expected to be received within one year.

College Corner Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 8 - RISK MANAGEMENT

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 2006, the School District contracted with Indiana Insurance for general liability, sexual misconduct and molestation liability, and school leaders errors and omissions liability.

Coverage provided by Indiana Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Damage to Premises Rented - One Premises	300,000
Medical Expense Limit - One Person	15,000
Personal and Advertising Injury Limit	
One Person or Organization	1,000,000
General Aggregate Limit -	
(Other Than Products/Completed Operations)	2,000,000
Products/Completed Operations Aggregate Limit	2,000,000
Sexual Misconduct and Molestation Liability	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000
School Leaders Errors and Omissions Liability	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000
Aggregate Defense Expense Amount -	
Non-Monetary Relief	100,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior fiscal year.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2006, 2005, and 2004, were \$9,929, \$8,973, and \$8,348, respectively; the full amount has been contributed for fiscal years 2006, 2005 and 2004.

B. State Teachers Retirement System of Ohio

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, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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 of 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

For the fiscal year ended June 30, 2006, 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. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. 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 STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$50,700, \$50,048, and \$56,405, respectively; the full amount has been contributed for fiscal years 2006, 2005 and 2004. There were no contributions to the DC and Combined Plans for fiscal year 2006 by the School District.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, two members of the Board of Education elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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 Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$3,900 for fiscal year 2006.

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

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the 2006 fiscal year, the School District paid \$4,365 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

NOTE 11 - JOINTLY GOVERNED ORGANIZATION

Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$9,107 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

College Corner Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 12 - SET-ASIDE CALCULATIONS

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 instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation, which must be spent for specified purposes. Based upon legislative changes, this is the only money still required to be set-aside for this purpose.

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

	<u>Budget Stabilization</u>	<u>Textbooks and Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2005	\$20,846	\$38,745	\$0
Current Year Set-aside Requirement	0	22,485	22,485
Qualifying Disbursements	0	(7,722)	(21,044)
Current Year Offsets	0	0	(40,062)
Totals	<u>\$20,846</u>	<u>\$53,508</u>	<u>(\$38,621)</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$20,846</u>	<u>\$53,508</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvement amount below zero. This extra amount of offsets may not be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$74,354.

NOTE 13 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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, 2006.

B. Litigation

The School District is not currently party to any legal proceedings.

NOTE 14 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Contrary to Ohio Revised Code Section 135.18, during the fiscal year four out of twelve months deposits exceeded FDIC coverage. The amounts in excess of FDIC coverage ranged from \$1,105 to \$76,312.

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

The discussion and analysis of College Corner 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, within the limitations of the School District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

In total, net assets increased \$369,328 which represents a 10.9 percent increase from 2004.

General receipts accounted for \$999,856 in receipts or 77.3 percent of all receipts. Program specific receipts in the form of charges for services and operating grants and contributions accounted for \$294,363 or 22.7 percent of total receipts of \$1,294,219.

Total assets of governmental activities increased by \$369,328, as cash and cash equivalents decreased by \$514,153 and capital assets increased by \$883,481.

The School District had \$924,891 in disbursements; only \$294,363 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes and entitlements) were \$999,856, which were adequate to provide for these programs.

Among major funds, the General Fund had \$1,195,497 in receipts and \$875,291 in disbursements. The General Fund's balance increased \$349,342 over 2004.

Using this Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities – Modified Cash Basis

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during 2005, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds, not the School District as a whole. 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 funds are the General Fund and the College Corner/Union County Building Project Fund.

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

Governmental Funds

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 fiscal year-end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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 School District as a Whole

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004 on a modified cash basis:

Table 1 Net Assets		2005	2004
Assets:			
Equity in Pooled Cash and Cash Equivalents		\$1,024,102	\$1,538,255
Capital Assets		2,726,523	1,843,042
<i>Total Assets</i>		3,750,625	3,381,297
 Net Assets:			
Invested in Capital Assets		2,726,523	1,843,042
Restricted		124,732	928,636
Unrestricted		899,370	609,619
<i>Total Net Assets</i>		\$3,750,625	\$3,381,297

Total net assets of governmental activities increased by \$369,328, as cash and cash equivalents decreased by \$514,153 and capital assets increased by \$883,481. Capital assets increased while cash decreased mainly due to the completion of a renovation and addition to the existing College Corner elementary building. Net assets increased due to an increase in tuition and fees and grants and entitlements in the General Fund.

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

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005. Since this is the first year College Corner Local School District has prepared financial statements following GASB Statement 34 under the modified cash basis, receipt and disbursement comparisons to fiscal year 2004 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	2005
Receipts:	
Program Receipts:	
Charges for Services	\$183,046
Operating Grants and Contributions	111,317
<i>Total Program Receipts</i>	294,363
General Receipts:	
Property Taxes Levied for:	
General Purposes	165,074
Capital Outlay	36,921
Grants and Entitlements not Restricted to Specific Programs	707,318
Gifts and Donations	500
Investment Earnings	17,887
Miscellaneous	72,156
<i>Total General Receipts</i>	999,856
<i>Total Receipts</i>	1,294,219
Program Disbursements:	
Instruction:	
Regular	651,421
Special	11,067
Support Services:	
Instructional Staff	46,377
Board of Education	51,372
Administration	74,003
Fiscal	31,288
Operation and Maintenance of Plant Central	43,408
	8,495
Operation of Non-Instructional Services	7,460
<i>Total Disbursements</i>	924,891
<i>Increase in Net Assets</i>	\$369,328

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

Governmental Activities

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 15.6 percent of receipts for governmental activities for the College Corner Local School District for fiscal year 2005. Grants and Entitlements not restricted to specific programs made up 54.7 percent of receipts for governmental activities of the College Corner Local School District for fiscal year 2005.

Instruction comprises 71.6 percent of School District disbursements. Support services disbursements make up 27.6 percent of the disbursements.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
Instruction:		
Regular	\$651,421	(\$450,845)
Special	11,067	51,867
Support Services:		
Instructional Staff	46,377	(32,943)
Board of Education	51,372	(51,372)
Administration	74,003	(69,003)
Fiscal	31,288	(28,288)
Operation and Maintenance of Plant	43,408	(43,408)
Central	8,495	327
Operation of Non-Instructional Services	7,460	(6,863)
<i>Total Expenses</i>	\$924,891	(\$630,528)

The School District's Funds

The School District's major funds are accounted for using the modified cash basis of accounting. All governmental funds had total receipts of \$1,294,219 and disbursements of \$1,808,372. The General Fund had an increase in fund balance of \$349,342 due to an increase in tuition and fees and grants and entitlements. The College Corner/Union County Building Project Capital Projects Fund had a decrease in fund balance of \$766,311. This decrease was due to the completion of the building project.

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

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 most significant budgeted fund is the General Fund.

During the course of fiscal year 2005 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 51, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, budget basis receipts were \$1,186,237 which was above the original estimates of \$944,900. The \$241,337 difference was mainly due to an increase in tuition and fees and grants and entitlements.

The School District's ending unobligated General Fund cash balance was \$898,154.

Capital Assets

At the end of fiscal year 2005, the School District had \$2,726,523 invested in land, building and improvements, and furniture and equipment.

Table 4 shows fiscal year 2005 balances compared to fiscal year 2004.

Table 4
 Capital Assets (Net of Depreciation) at June 30,

	2005	2004
Land	\$2,000	\$2,000
Construction in Progress	0	1,838,185
Building and Improvements	2,721,606	0
Furniture and Equipment	2,917	2,857
Totals	\$2,726,523	\$1,843,042

Overall capital assets increased \$883,481 from fiscal year 2004 to fiscal year 2005. The College Corner Local School District has completed the first phase of their building project. During the 2005-2006 school year, the School District plans to start construction of a maintenance building. The second phase of the building project is anticipated to start during the 2006-2007 school year with a third floor classroom addition to the existing building.

For more information on capital assets, see Note 7 of the Basic Financial Statements.

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

Current Financial Issues and Concerns

College Corner Local School District is in a secure financial position at this time. Disbursements are less than estimated receipts and there is a sufficient cash balance for the School District's operation.

College Corner Local School District is currently identified as a district receiving parity aid State dollars. These dollars are helping this small district with expenses.

In conclusion, the College Corner Local School District has committed itself to financial excellence for many years. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Terri Freeman, Treasurer, 937-456-1187.

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College Corner Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2005

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,024,102
Nondepreciable Capital Assets	2,000
Depreciable Capital Assets, Net	2,724,523
<i>Total Assets</i>	3,750,625
 Net Assets:	
Invested in Capital Assets	2,726,523
Restricted for:	
Capital Outlay	22,043
Other Purposes	43,098
Set-Asides	59,591
Unrestricted	899,370
<i>Total Net Assets</i>	\$3,750,625

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2005

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements	Charges for Services	Operating Grants and Contributions
			Total Governmental Total
Governmental Activities:			
Instruction:			
Regular	\$651,421	\$183,046	\$17,530
Special	11,067	0	62,934
			(450,845)
Support Services:			
Instructional Staff	46,377	0	13,434
Board of Education	51,372	0	0
Administration	74,003	0	5,000
Fiscal	31,288	0	3,000
Operation and Maintenance of Plant	43,408	0	0
Central	8,495	0	8,822
Operation of Non-Instructional Services	7,460	0	597
<i>Total Governmental Activities</i>	<u>\$924,891</u>	<u>\$183,046</u>	<u>\$111,317</u>
			(630,528)
General Receipts:			
Property Taxes Levied for:			
			165,074
			36,921
Grants and Entitlements not Restricted to			
			707,318
			500
			17,887
			72,156
<i>Total General Receipts</i>			<u>999,856</u>
			369,328
<i>Change in Net Assets</i>			3,381,297
<i>Net Assets Beginning of Year - (Restated - Note 3)</i>			<u>3,381,297</u>
<i>Net Assets End of Year</i>			<u><u>\$3,750,625</u></u>

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$899,370	\$65,141	\$964,511
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	59,591	0	59,591
Total Assets	\$958,961	\$65,141	\$1,024,102
 Fund Balances:			
Reserved for Encumbrances	\$50,785	\$2,350	\$53,135
Reserved for Budget Stabilization	20,846	0	20,846
Reserved for Textbooks and Instructional Materials	38,745	0	38,745
Unreserved, Undesignated, Reported in:			
General Fund	848,585	0	848,585
Special Revenue Funds	0	40,748	40,748
Capital Projects Funds	0	22,043	22,043
Total Fund Balances	\$958,961	\$65,141	\$1,024,102

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities - Modified Cash Basis
 June 30, 2005

Total Governmental Fund Balances \$1,024,102

*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. These assets
 consist of:

Land	2,000	
Building and Improvements	2,759,310	
Furniture and Equipment	5,145	
Accumulated Depreciation	(39,932)	
Total Capital Assets	2,726,523	2,726,523

Net Assets of Governmental Activities \$3,750,625

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	College Corner/ Union County Building Project	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property Taxes	\$165,074	\$0	\$36,921	\$201,995
Tuition and Fees	116,046	0	0	116,046
Interest	17,887	0	0	17,887
Intergovernmental	756,834	0	61,801	818,635
Rent	67,000	0	0	67,000
Gifts and Donations	500	0	0	500
Miscellaneous	72,156	0	0	72,156
<i>Total Receipts</i>	<u>1,195,497</u>	<u>0</u>	<u>98,722</u>	<u>1,294,219</u>
Disbursements:				
Current:				
Instruction:				
Regular	603,792	0	29,363	633,155
Special	0	0	11,067	11,067
Support Services:				
Instructional Staff	34,655	0	11,722	46,377
Board of Education	51,372	0	0	51,372
Administration	70,379	0	3,946	74,325
Fiscal	27,234	0	3,792	31,026
Operation and Maintenance of Plant	81,559	0	23,870	105,429
Central	0	0	8,495	8,495
Operation of Non-Instructional Services	6,300	0	1,160	7,460
Capital Outlay	0	766,311	73,355	839,666
<i>Total Disbursements</i>	<u>875,291</u>	<u>766,311</u>	<u>166,770</u>	<u>1,808,372</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>320,206</u>	<u>(766,311)</u>	<u>(68,048)</u>	<u>(514,153)</u>
Other Financing Sources (Uses):				
Advances - In	54,714	0	25,578	80,292
Advances - Out	(25,578)	0	(54,714)	(80,292)
<i>Total Other Financing Sources (Uses)</i>	<u>29,136</u>	<u>0</u>	<u>(29,136)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	349,342	(766,311)	(97,184)	(514,153)
<i>Fund Balances at Beginning of Year (Restated - Note 3)</i>	609,619	766,311	162,325	1,538,255
<i>Fund Balances at End of Year</i>	<u>\$958,961</u>	<u>\$0</u>	<u>\$65,141</u>	<u>\$1,024,102</u>

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
 Reconciliation of the Statement of Receipts, Disbursements and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds (\$514,153)

*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. In the current period,
 these amounts are:

Capital Outlay	902,349	
Depreciation Expense	(18,868)	
Excess of Capital Outlay over Depreciation Expense		883,481

Change in Net Assets of Governmental Activities \$369,328

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	
Receipts:				
Property Taxes	\$159,200	\$165,149	\$165,149	\$0
Tuition and Fees	90,000	116,046	116,046	0
Interest	15,000	11,916	11,916	0
Intergovernmental	517,400	753,754	753,754	0
Rent	67,000	67,000	67,000	0
Gifts and Donations	500	500	500	0
Miscellaneous	95,800	71,872	71,872	0
<i>Total Receipts</i>	<u>944,900</u>	<u>1,186,237</u>	<u>1,186,237</u>	<u>0</u>
Disbursements:				
Current:				
Instruction:				
Regular	694,201	695,746	603,792	91,954
Support Services:				
Instructional Staff	128,838	129,845	59,880	69,965
Board of Education	71,299	76,094	59,958	16,136
Administration	84,546	84,907	75,265	9,642
Fiscal	41,550	42,045	39,347	2,698
Operation and Maintenance of Plant	22,770	82,385	81,559	826
Operation of Non-Instructional Services	2,000	6,300	6,300	0
<i>Total Disbursements</i>	<u>1,045,204</u>	<u>1,117,322</u>	<u>926,101</u>	<u>191,221</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(100,304)</u>	<u>68,915</u>	<u>260,136</u>	<u>191,221</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	0	284	284	0
Advances - In	30,000	54,714	54,714	0
Transfers - In	1,000	0	0	0
Advances - Out	0	(25,578)	(25,578)	0
Transfers - Out	(517,166)	(684,805)	0	684,805
Other Financing Uses	(22,128)	(22,128)	0	22,128
<i>Total Other Financing Sources (Uses)</i>	<u>(508,294)</u>	<u>(677,513)</u>	<u>29,420</u>	<u>706,933</u>
<i>Net Change in Fund Balances</i>	(608,598)	(608,598)	289,556	898,154
<i>Fund Balances at Beginning of Year</i>	591,621	591,621	591,621	0
<i>Prior Year Encumbrances Appropriated</i>	16,977	16,977	16,977	0
<i>Fund Balances at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$898,154</u>	<u>\$898,154</u>

See Accompanying Notes to the Basic Financial Statements

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The College Corner Local School District, Preble County, Ohio (the “School District”), is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The College Corner Local School District is a local district as defined by Section 3311.03, of the Ohio Revised Code. The School District operates under a five member elected Board of Education and is responsible for the provision of public education to residents of the School District.

Due to the location of the College Corner Local School District, situated on the Ohio-Indiana State line, the School District is administered by a Joint Board. On July 1, 1995, a reorganization agreement between the College Corner Local School District and the Union County School Corporation (an Indiana school district) became effective. Under this agreement, the two school districts became the Union County-College Corner Joint School District. The Joint School District is administered by a Joint Board, comprised of nine members. Seven members are school board members from the Union County School Corporation and the remaining two members are from the College Corner Local School District. The reorganization agreement may be terminated between any two school years by the mutual agreement of both the Union County School Corporation and the College Corner Local School District.

The Joint Board has the authority to set the annual budget of the Joint School District. In addition, the Joint Board has the duty and power to operate and establish policies for the Joint School District in accordance with federal law and the laws of the State of Indiana to the fullest extent possible. The Joint Board is to follow Indiana law exclusively, unless expressly provided for in the reorganization agreement. The local Board of Education of the College Corner Local School District has authority over issues pertaining to tax rates for revenue collected from Ohio taxpayers and personnel working directly for the local Board of Education.

With regard to financial management, according to the reorganization agreement, the Union County School Corporation is the “administering” district. The administering district is the district delegated the responsibility to maintain the books and records, issue contracts, and perform day-to-day operations. The College Corner Local School District makes payments to the Union County School Corporation. The College Corner Local School District keeps a record of just its transactions in its accounting system maintained by the Southwestern Ohio Computer Association. College Corner Local School District contracts with the Preble County Educational Service Center to provide financial and superintendent secretarial services. The School District has a five year employment contract with the Superintendent, who is employed part-time and does not earn any type of leave or receive any insurance benefits.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For College Corner Local School District, this includes general operations of the School District.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

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 provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in one jointly governed organization, the Southwest Ohio Computer Association (Note 12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Section C of Note 2, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. For governmental activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more 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. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, does not have any activities which are presented as business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Net Assets presents the cash balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

Fund Financial Statements:

During the fiscal 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District are classified as governmental funds.

Governmental Funds:

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

College Corner/Union County Building Project Fund - The College Corner/Union County Building Project Capital Projects Fund is used to account for the accumulation of resources for the joint project with Union County School Corporation for the improvements and additions to the College Corner school building.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the object level within each fund and function.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. 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”.

Investments of the School District’s 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 on the financial statements as cash equivalents.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2005, the School District’s investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2005 was \$17,887, which included \$2,113 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the 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 law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for budget stabilization and the purchase of textbooks and other instructional materials.

G. Capital Assets

The School District’s only capital assets are general capital assets. General capital assets 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District does not maintain a capitalization threshold. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress 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>Estimated Lives</u>
Building and Improvements	75 years
Furniture and Equipment	5-20 years

H. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These advances are eliminated on the statement of activities. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net 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 resources restricted for federal and State grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$124,732 of restricted net assets, of which none is restricted by enabling legislation.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, budget stabilization, and textbooks and instructional materials.

The reserve for budget stabilization represents money received from the Bureau of Workers' Compensation. The reserve for textbooks represents money required to be set-aside by State statute for the purchase of textbooks and instructional materials.

L. Estimates

The modified cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

A. Change in Basis of Accounting

For 2005, the School District ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 2C.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the School District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General	College Corner/ Union County Building Project	Other Governmental	Total Governmental
Fund Balance June 30, 2004	\$680,986	\$766,311	\$92,891	\$1,540,188
Eliminate Asset Accruals	(188,614)	0	(70,820)	(259,434)
Eliminate Prepaid Items	(6,199)	0	0	(6,199)
Eliminate Interfund Receivable (Payables)	(68,097)	0	68,097	0
Eliminate Liability Accruals	191,543	0	72,157	263,700
Adjusted Fund Balance June 30, 2004	<u>\$609,619</u>	<u>\$766,311</u>	<u>\$162,325</u>	<u>\$1,538,255</u>

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

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY (continued)

Governmental Activities Net Assets June 30, 2004	\$3,435,999
Eliminate Government-Wide Financial Statement Adjustments:	
Intergovernmental Receivable	(58,634)
Prepaid Items	(6,199)
Taxes Receivable	(200,800)
Accounts Payable	4,291
Intergovernmental Payable	20,864
Deferred Revenue	185,776
Adjusted Governmental Activities Net Assets June 30, 2004	<u>\$3,381,297</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and unrecorded cash which represents amounts received but not included on the budget basis operating statement. This amount is included as revenue on the modified cash basis operating statement.

The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
	<u>General</u>
Modified Cash Basis	\$349,342
Unrecorded Cash FY 2004	1,021
Unrecorded Cash FY 2005	(10,021)
Adjustment for Encumbrances	(50,786)
Budget Basis	<u>\$289,556</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At fiscal year-end, the School District had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$16,309 of the School District's bank balance of \$116,309 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

Credit Risk - As of June 30, 2005, the School District's only investment was STAROhio. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

College Corner 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 year 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 year 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, 2003, 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 year 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, 2004, on the value as of December 31, 2004. 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 Butler and Preble Counties. The County Auditors periodically advance 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.

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

NOTE 6 - PROPERTY TAXES (continued)

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	\$8,074,590	89.01%	\$8,079,250	89.21%
Public Utility	761,280	8.40%	751,780	8.30%
Tangible Personal Property	235,372	2.59%	225,584	2.49%
Total	\$9,071,242	100.00%	\$9,056,614	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$32.10		\$32.10	

NOTE 7 - CAPITAL ASSETS

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

	Balance 6/30/04	Additions	Deductions	Balance 6/30/05
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$2,000	\$0	\$0	\$2,000
Construction in Progress	1,838,185	901,687	(2,739,872)	0
Total Capital Assets, not Being Depreciated	1,840,185	901,687	(2,739,872)	2,000
Capital Assets, Being Depreciated:				
Building and Improvements	19,438	2,739,872	0	2,759,310
Furniture and Equipment	4,483	662	0	5,145
Total Capital Assets, Being Depreciated	23,921	2,740,534	0	2,764,455
Less Accumulated Depreciation:				
Building and Improvements	(19,438)	(18,266)	0	(37,704)
Furniture and Equipment	(1,626)	(602)	0	(2,228)
Total Accumulated Depreciation	(21,064)	(18,868) *	0	(39,932)
Capital Assets, Being Depreciated, Net	2,857	2,721,666	0	2,724,523
Governmental Activities Capital Assets, Net	\$1,843,042	\$3,623,353	(\$2,739,872)	\$2,726,523

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

NOTE 7 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Support Services:	
Regular	\$18,266
Administration	340
Fiscal	262
Total Depreciation Expense	<u>\$18,868</u>

NOTE 8 – INTERFUND ADVANCES

At June 30, 2005, the General Fund had an unpaid interfund cash advance, in the amount of \$38,962, for a short-term loan made to the EMIS Fund, Special Ed IDEA Grant Fund, Title I Fund, Preschool Handicapped Fund, Title II-A Fund, and Title II-D Fund for \$5,000, \$383, \$6,893, \$56, \$1,052, and \$25,578, respectively. This is expected to be received within one year.

NOTE 9 - RISK MANAGEMENT

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 Indiana Insurance for general liability, sexual misconduct and molestation liability, and school leaders errors and omissions liability.

Coverage provided by Indiana Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Damage to Premises Rented - One Premises	300,000
Medical Expense Limit - One Person	15,000
Personal and Advertising Injury Limit	
One Person or Organization	1,000,000
General Aggregate Limit -	
(Other Than Products/Completed Operations)	2,000,000
Products/Completed Operations Aggregate Limit	2,000,000
Sexual Misconduct and Molestation Liability	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000
School Leaders Errors and Omissions Liability	
Per Occurrence	1,000,000
Aggregate Limit	1,000,000
Aggregate Defense Expense Amount -	
Non-Monetary Relief	100,000

NOTE 9 - RISK MANAGEMENT (continued)

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2004.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, or by calling (614) 222-5853.

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 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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 \$8,973, \$8,348, and \$7,930, respectively; the full amount has been contributed for fiscal years 2005, 2004 and 2003.

B. State Teachers Retirement System of Ohio

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, by calling (614) 227-4090.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

For the fiscal year ended June 30, 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 for the fiscal years ended June 30, 2005, 2004, and 2003, were \$50,048, \$56,405, and \$60,495, respectively; the full amount has been contributed for fiscal years 2005, 2004 and 2003. There were no contributions to the DC and Combined Plans for fiscal year 2005 by the School District.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, one member of the Board of Education elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$3,850 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 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 was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$4,055 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

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

NOTE 12 - JOINTLY GOVERNED ORGANIZATION

Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$12,177 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

NOTE 13 - SET-ASIDE CALCULATIONS

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation, which must be spent for specified purposes. Based upon legislative changes, this is the only money still required to be set-aside for this purpose.

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

	Budget <u>Stabilization</u>	Textbooks and Instructional <u>Materials</u>	Capital <u>Improvements</u>
Set-aside Reserve Balance as of			
June 30, 2004	\$20,846	\$25,304	\$0
Current Year Set-aside Requirement	0	20,637	20,637
Qualifying Disbursements	0	(7,196)	(66,615)
Current Year Offsets	0	0	(36,964)
Totals	<u>\$20,846</u>	<u>\$38,745</u>	<u>(\$82,942)</u>
Set-aside Reserve Balance as of			
June 30, 2005	<u>\$20,846</u>	<u>\$38,745</u>	<u>\$0</u>

The total reserve balance for the set-asides at the end of the fiscal year was \$59,591.

NOTE 14 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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.

B. Litigation

The School District is not currently party to any legal proceedings

NOTE 15 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Contrary to Ohio Revised Code Section 135.18, during the fiscal year for four out of twelve months deposits exceeded FDIC coverage. The amounts in excess of FDIC coverage ranged from \$2,540 to \$192,627.

NOTE 16 – SUBSEQUENT EVENT

On November 8, 2005, the School District passed a 6.5 mill renewal levy for improvements, renovations, and additions to school facilities. The levy will expire in five years.



Mary Taylor, CPA

Auditor of State

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

College Corner Local School District
Preble County
230 Ramsey Street
College Corner, Ohio 45003

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of College Corner Local School District, Preble County, Ohio (the School District) as of and for the years ended June 30, 2006 and June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 2, 2007, in which we noted the School District prepares its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America. 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 School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be 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 School District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2006-002.

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 School District's management dated March 2, 2007 we reported other matters involving internal control over financial reporting which we did not deem as reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School 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 instances of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2006-001 and 2006-002. In a separate letter to the School District's management dated March 2, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

Mary Taylor, CPA
Auditor of State

March 2, 2007

COLLEGE CORNER LOCAL SCHOOL DISTRICT
PREBLE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006 and 2005

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

FINDING NUMBER 2006-001

Material Noncompliance

Ohio Admin Code, § 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District, as such, we recommend the School District prepares its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

GAAP is cost prohibitive for our schools system and the modified cash basis generates a reasonable view of our financial picture.

FINDING NUMBER 2006-002

Material Noncompliance/Reportable Condition

Ohio Rev. Code, § 135.18, requires that the treasurer of a political subdivision must require a depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The District's deposits at First Financial Bank, formerly Heritage Community Bank, were not adequately covered by collateral at all times during the audit period. During the audit period, for eight out of twenty-four months, deposits exceeded FDIC coverage of \$100,000. The amounts in excess of FDIC coverage ranged from \$1,105 to \$76,312 in fiscal year 2006 and ranged from \$2,540 to \$192,627 in fiscal year 2005.

Failure to adequately collateralize deposits can result in loss of funds. The District should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

Officials' Response:

The College Corner Board of Education has taken corrective measures by approving a depository agreement with First Financial Bank as of January 1, 2007 in Resolution #16-07.

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**COLLEGE CORNER LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code 135.18, failure to adequately collateralize funds.	No	Finding re-issued as 2006-002.



Mary Taylor, CPA
Auditor of State

COLLEGE CORNER LOCAL SCHOOL DISTRICT

PREBLE 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 27, 2007**