



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 year ended June 30, 2008, 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 1, 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 respective 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, 2008, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008, 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 and the respective budgetary comparison for the General Fund 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 30, 2008

**College Corner Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

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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, 2008, within the limitations of the School District's modified cash basis of 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 2008 are as follows:

- In total, net assets increased \$61,496 which represents a 1.4 percent increase from fiscal year 2007.
- General receipts accounted for \$1,106,085 or 79.9 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 \$277,915 or 20.1 percent of total receipts of \$1,384,000.
- The School District had \$1,322,504 in disbursements; only \$277,915 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes and entitlements) were \$1,106,085, which were adequate to provide for these programs.
- The General Fund had \$1,257,702 in receipts and \$1,173,422 in disbursements. The General Fund's balance increased \$84,032 over fiscal year 2007.

### **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.

**College Corner Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

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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.

*Basis of Accounting*

The basis of accounting is a set of guidelines that determines 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 fiscal year 2008, 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.

**College Corner Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2008**

**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.

*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 2008 compared to fiscal year 2007 on a modified cash basis:

Table 1  
Net Assets

	2008	2007	Change
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,954,513	\$1,855,583	\$98,930
Capital Assets	2,614,480	2,651,914	(37,434)
<i>Total Assets</i>	<u>4,568,993</u>	<u>4,507,497</u>	<u>61,496</u>
<b>Net Assets:</b>			
Invested in Capital Assets	2,614,480	2,651,914	(37,434)
Restricted	256,714	229,331	27,383
Unrestricted	1,697,799	1,626,252	71,547
<i>Total Net Assets</i>	<u>\$4,568,993</u>	<u>\$4,507,497</u>	<u>\$61,496</u>

Total net assets of governmental activities increased by \$61,496, as cash and cash equivalents increased by \$98,930 and capital assets decreased by \$37,434. Capital assets decreased by the current fiscal year depreciation because there were no additions. The increase in total net assets was 1.4 percent from fiscal year 2007.

**College Corner Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2008**

Table 2 shows the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

Table 2  
Changes in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Change</u>
<b>Receipts:</b>			
Program Receipts:			
Charges for Services	\$162,445	\$147,193	\$15,252
Operating Grants and Contributions	112,824	163,063	(50,239)
Capital Grants and Contributions	2,646	65	2,581
<i>Total Program Receipts</i>	<u>277,915</u>	<u>310,321</u>	<u>(32,406)</u>
General Receipts:			
Property Taxes Levied for:			
General Purposes	177,263	181,477	(4,214)
Capital Outlay	39,634	40,697	(1,063)
Grants and Entitlements not Restricted to Specific Programs	657,914	680,614	(22,700)
Investment Earnings	69,379	80,015	(10,636)
Miscellaneous	161,895	197,452	(35,557)
<i>Total General Receipts</i>	<u>1,106,085</u>	<u>1,180,255</u>	<u>(74,170)</u>
<i>Total Receipts</i>	<u>1,384,000</u>	<u>1,490,576</u>	<u>(106,576)</u>
<b>Program Disbursements:</b>			
Instruction:			
Regular	770,037	731,433	38,604
Special	175,956	11,595	164,361
Support Services:			
Pupils	3,741	0	3,741
Instructional Staff	79,128	64,469	14,659
Board of Education	39,919	21,185	18,734
Administration	82,740	90,785	(8,045)
Fiscal	105,556	94,697	10,859
Operation and Maintenance of Plant Central	47,364	57,824	(10,460)
	11,063	0	11,063
Operation of Non-Instructional Services	7,000	2,543	4,457
<i>Total Disbursements</i>	<u>1,322,504</u>	<u>1,074,531</u>	<u>\$247,973</u>
<i>Increase in Net Assets</i>	61,496	416,045	
<i>Net Assets at Beginning of Year</i>	<u>4,507,497</u>	<u>4,091,452</u>	
<i>Net Assets at End of Year</i>	<u>\$4,568,993</u>	<u>\$4,507,497</u>	

**College Corner Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

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**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 15.7 percent of receipts for governmental activities for the School District for fiscal year 2008. Grants and entitlements not restricted to specific programs made up 47.5 percent of receipts for governmental activities.

Instruction comprises 71.5 percent of School District disbursements. Support services make up 27.9 percent of the disbursements.

The decrease in operating grants and contribution was due to the timing of when the School District received their fiscal year 2008 grant monies.

The significant decrease in miscellaneous receipts was due to the timing of when the Union County Local School Corporation reimbursed College Corner Local School District for the retirement of employees.

The significant increase in special instruction was due to the School District properly coding disbursements between regular instruction and special instruction. In the past, the School District primarily recorded all instruction disbursements as regular instruction. However, on average there have been about 10 percent of the students who receive special instruction.

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.

**College Corner Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2008**

Table 3  
Governmental Activities

	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>
Instruction:				
Regular	\$770,037	(\$587,597)	\$731,433	(\$501,092)
Special	175,956	(95,257)	11,595	47,606
Support Services:				
Pupils	3,741	(3,741)	0	0
Instructional Staff	79,128	(77,238)	64,469	(52,151)
Board of Education	39,919	(39,919)	21,185	(21,185)
Administration	82,740	(81,317)	90,785	(85,785)
Fiscal	105,556	(102,910)	94,697	(91,632)
Operation and Maintenance of Plant	47,364	(46,547)	57,824	(57,610)
Central	11,063	(3,063)	0	0
Operation of Non-Instructional Services	7,000	(7,000)	2,543	(2,361)
<i>Total Disbursements</i>	<u>\$1,322,504</u>	<u>(\$1,044,589)</u>	<u>\$1,074,531</u>	<u>(\$764,210)</u>

### **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 \$1,384,000 and disbursements of \$1,285,070. The General Fund had an increase in fund balance of \$84,032 which represents a 4.9 percent increase from fiscal year 2007 due to close budgetary monitoring.

### **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 2008 the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final budget basis receipts were \$1,262,693 which was above the original estimates of \$1,191,080. The \$71,613 difference was mainly due to an increase in investment earnings and tuition and fees. Actual receipts differed insignificantly from final estimated receipts by \$1,429.

**College Corner Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008

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For the General Fund, final budget basis disbursements were \$1,173,422 which was \$356,655 below the original estimates of \$1,530,077. The significant decrease from original estimates was due to the School District over-estimating disbursements of the School District. Actual disbursements in the General Fund were \$1,173,422 which equaled final budget basis disbursements.

The School District's ending unobligated General Fund cash balance was \$1,429.

**Capital Assets**

At the end of fiscal year 2008, the School District had \$2,614,480 invested in land, building and improvements, and furniture and equipment.

Table 4 shows fiscal year 2008 balances compared to fiscal year 2007.

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

	<u>2008</u>	<u>2007</u>
Land	\$2,000	\$2,000
Building and Improvements	2,611,492	2,648,283
Furniture and Equipment	988	1,631
<i>Totals</i>	<u>\$2,614,480</u>	<u>\$2,651,914</u>

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

**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 Jack Mann at the College Corner Local School District, 230 Ramsey Street, College Corner, Ohio 45003.

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**College Corner Local School District**  
Statement of Net Assets - Modified Cash Basis  
June 30, 2008

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,954,513
Nondepreciable Capital Assets	2,000
Depreciable Capital Assets, Net	2,612,480
<i>Total Assets</i>	4,568,993
<b>Net Assets:</b>	
Invested in Capital Assets	2,614,480
Restricted for:	
Capital Outlay	145,852
Other Purposes	8,411
Set-Asides	102,451
Unrestricted	1,697,799
<i>Total Net Assets</i>	\$4,568,993

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, 2008

	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 Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$770,037	\$162,445	\$19,995	\$0	(\$587,597)
Special	175,956	0	80,699	0	(95,257)
Support Services:					
Pupils	3,741	0	0	0	(3,741)
Instructional Staff	79,128	0	1,890	0	(77,238)
Board of Education	39,919	0	0	0	(39,919)
Administration	82,740	0	1,423	0	(81,317)
Fiscal	105,556	0	0	2,646	(102,910)
Operation and Maintenance of Plant	47,364	0	817	0	(46,547)
Central	11,063	0	8,000	0	(3,063)
Operation of Non-Instructional Services	7,000	0	0	0	(7,000)
<i>Total Governmental Activities</i>	<u>\$1,322,504</u>	<u>\$162,445</u>	<u>\$112,824</u>	<u>\$2,646</u>	<u>(1,044,589)</u>
<b>General Receipts:</b>					
Property Taxes Levied for:					
General Purposes					177,263
Capital Outlay					39,634
Grants and Entitlements not Restricted to					
Specific Programs					657,914
Investment Earnings					69,379
Miscellaneous					161,895
<i>Total General Receipts</i>					<u>1,106,085</u>
<i>Change in Net Assets</i>					61,496
<i>Net Assets at Beginning of Year</i>					<u>4,507,497</u>
<i>Net Assets at End of Year</i>					<u>\$4,568,993</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, 2008

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,697,799	\$154,263	\$1,852,062
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	102,451	0	102,451
<i>Total Assets</i>	\$1,800,250	\$154,263	\$1,954,513
 <b>Fund Balances:</b>			
Reserved for Encumbrances	\$0	\$5,032	\$5,032
Reserved for Budget Stabilization	20,846	0	20,846
Reserved for Textbooks and Instructional Materials	81,605	0	81,605
Unreserved, Undesignated, Reported in:			
General Fund	1,697,799	0	1,697,799
Special Revenue Funds	0	3,379	3,379
Capital Projects Funds	0	145,852	145,852
<i>Total Fund Balances</i>	\$1,800,250	\$154,263	\$1,954,513

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, 2008

**Total Governmental Fund Balances** \$1,954,513

**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	(151,975)	
Total Capital Assets		2,614,480

*Net Assets of Governmental Activities* \$4,568,993

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, 2008

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>			
Property Taxes	\$177,263	\$39,634	\$216,897
Tuition and Fees	95,445	0	95,445
Investment Earnings	69,379	0	69,379
Intergovernmental	686,720	86,664	773,384
Rent	67,000	0	67,000
Miscellaneous	161,895	0	161,895
<i>Total Receipts</i>	<u>1,257,702</u>	<u>126,298</u>	<u>1,384,000</u>
<b>Disbursements:</b>			
Current:			
Instruction:			
Regular	691,473	36,496	727,969
Special	120,304	55,652	175,956
Support Services:			
Pupils	3,741	0	3,741
Instructional Staff	79,128	0	79,128
Board of Education	39,919	0	39,919
Administration	80,019	2,340	82,359
Fiscal	104,303	991	105,294
Operation and Maintenance of Plant	46,547	817	47,364
Central	988	10,075	11,063
Operation of Non-Instructional Services	7,000	0	7,000
Capital Outlay	0	5,277	5,277
<i>Total Disbursements</i>	<u>1,173,422</u>	<u>111,648</u>	<u>1,285,070</u>
<i>Excess of Receipts Over Disbursements</i>	<u>84,280</u>	<u>14,650</u>	<u>98,930</u>
<b>Other Financing Sources (Uses):</b>			
Transfers - In	0	248	248
Transfers - Out	(248)	0	(248)
<i>Total Other Financing Sources (Uses)</i>	<u>(248)</u>	<u>248</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	84,032	14,898	98,930
<i>Fund Balances at Beginning of Year</i>	<u>1,716,218</u>	<u>139,365</u>	<u>1,855,583</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,800,250</u></u>	<u><u>\$154,263</u></u>	<u><u>\$1,954,513</u></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, 2008

**Net Change in Fund Balances - Total Governmental Funds** \$98,930

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

Governmental funds report capital outlays as disbursements.  
However, in the Statement of Activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation disbursements. In the current period,  
these amounts are:

Depreciation Disbursements	(37,434)
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<i>Change in Net Assets of Governmental Activities</i>	\$61,496
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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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property Taxes	\$171,350	\$177,263	\$177,263	\$0
Tuition and Fees	50,000	95,445	95,445	0
Investment Earnings	50,000	76,865	76,865	0
Intergovernmental	674,486	685,291	686,720	1,429
Rent	67,000	67,000	67,000	0
Miscellaneous	178,240	160,829	160,829	0
<i>Total Receipts</i>	<u>1,191,076</u>	<u>1,262,693</u>	<u>1,264,122</u>	<u>1,429</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	872,279	691,473	691,473	0
Special	400	120,304	120,304	0
Support Services:				
Pupils	5,000	3,741	3,741	0
Instructional Staff	182,687	79,128	79,128	0
Board of Education	42,953	39,919	39,919	0
Administration	90,341	80,019	80,019	0
Fiscal	82,613	104,303	104,303	0
Operation and Maintenance of Plant	246,801	46,547	46,547	0
Central	0	988	988	0
Operation of Non-Instructional Services	7,000	7,000	7,000	0
<i>Total Disbursements</i>	<u>1,530,074</u>	<u>1,173,422</u>	<u>1,173,422</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(338,998)</u>	<u>89,271</u>	<u>90,700</u>	<u>1,429</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Disbursements	123	1,066	1,066	0
Transfers - Out	(1,368,575)	(248)	(248)	0
Other Financing Uses	(1,282)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,369,734)</u>	<u>818</u>	<u>818</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,708,732)	90,089	91,518	1,429
<i>Fund Balance at Beginning of Year</i>	<u>1,708,732</u>	<u>1,708,732</u>	<u>1,708,732</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$0</u></u>	<u><u>\$1,798,821</u></u>	<u><u>\$1,800,250</u></u>	<u><u>\$1,429</u></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, 2008

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**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. 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 ensure 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**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 10).

**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 non-exchange transactions.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Statement of Net Assets presents the cash balance and capital assets 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 rather than reporting by type. 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 is the School District's major governmental fund:

*General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**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 revenues 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 amounts that 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 fund level.

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 appropriations resolution is subject to amendment by the board 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. Before fiscal year-end, the School District requested and received a final appropriations resolution that reflected actual disbursements for the fiscal year in all funds.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**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 2008, 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, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2008 were \$69,379, which included \$5,023 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented 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**

All capital assets of the School District 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, 2008

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**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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Net Assets**

Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The School District has no debt. 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 \$256,714 of restricted net assets, none of which is restricted by enabling legislation.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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. The reserve for textbooks and instructional materials represents money required to be set aside by State statute for the purchase of textbooks and instructional materials.

**K. Internal Activity**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**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 - 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 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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	\$84,032
Unrecorded Cash FY 2007	7,486
Budget Basis	<u><u>\$91,518</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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim 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;

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
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.

**Investments**

As of June 30, 2008 the School District only had investments in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$1,946,611</u>	<u>Average 53.8 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's 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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. 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 2008 is 6.25 percent. This will be reduced to 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, 2008, are available to finance fiscal year 2008 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, 2008

**NOTE 5 - PROPERTY TAXES** (continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$8,280,080	88.83%	\$8,335,830	90.12%
Public Utility Personal	829,440	8.90%	676,500	7.31%
General Business Personal	212,056	2.27%	237,833	2.57%
Total	<u>\$9,321,576</u>	<u>100.00%</u>	<u>\$9,250,163</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$32.10		\$32.10	

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
<b>Governmental Activities</b>				
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	(111,027)	(36,791)	0	(147,818)
Furniture and Equipment	(3,514)	(643)	0	(4,157)
Total Accumulated Depreciation	<u>(114,541)</u>	<u>(37,434) *</u>	<u>0</u>	<u>(151,975)</u>
Capital Assets, Being Depreciated, Net	<u>2,649,914</u>	<u>(37,434)</u>	<u>0</u>	<u>2,612,480</u>
Governmental Activities Capital Assets, Net	<u>\$2,651,914</u>	<u>(\$37,434)</u>	<u>\$0</u>	<u>\$2,614,480</u>

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 6 - CAPITAL ASSETS** (continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$36,791
Support Services:	
Administration	381
Fiscal	262
Total Depreciation	<u><u>\$37,434</u></u>

**NOTE 7 - 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 2008, 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 the 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer 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.

Funding Policy – 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$10,900, \$11,654 and \$9,206 respectively; 100 percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS** (continued)

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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2008, 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 2007, 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, 2008, 2007, and 2006 were \$44,585, \$50,026, and \$50,700 respectively; 100 percent has been contributed for all three fiscal years. There were no contributions to the DC and Combined Plans for fiscal year 2008 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, 2008, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$6,117, \$5,012, and \$4,365, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$785, \$792, and \$733 respectively; 100 percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System of Ohio**

Plan Description – The School District contributes to the cost-sharing, multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 9 - POSTEMPLOYMENT BENEFITS** (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,430, \$3,848, and \$3,900 respectively; 100 percent has been contributed for all three fiscal years.

**NOTE 10 - 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 \$5,404 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 11 - 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 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 11 - SET-ASIDE CALCULATIONS** (continued)

	<u>Budget</u> <u>Stabilization</u>	<u>Textbooks and</u> <u>Instructional</u> <u>Materials</u>	<u>Capital</u> <u>Improvements</u>
Set-aside Reserve Balance as of			
June 30, 2007	\$20,846	\$69,120	\$0
Current Fiscal Year Set-aside Requirement	0	19,937	19,937
Qualifying Disbursements	0	(7,452)	(88,786)
Current Fiscal Year Offsets	0	0	(39,634)
Totals	<u>\$20,846</u>	<u>\$81,605</u>	<u>(\$108,483)</u>
Set-aside Reserve Balance as of			
June 30, 2008	<u>\$20,846</u>	<u>\$81,605</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements amount below zero. This extra amount 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 \$102,451.

**NOTE 12 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**B. Litigation**

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

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 13 - 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 5705.41 (D), the School District did not properly certify all expenditures.

**NOTE 14 - INTERFUND ACTIVITY**

The General Fund had transfers out to Other Governmental Funds in the amounts of \$248 during fiscal year 2008. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.



# 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 year ended June 30, 2007, 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 1, 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 respective 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, 2007, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008, 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 and the respective budgetary comparison for the General Fund 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 30, 2008

**College Corner Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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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, 2007, within the limitations of the School District's modified cash basis of 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 2007 are as follows:

- In total, net assets increased \$416,045 which represents a 10.2 percent increase from fiscal year 2006.
- General receipts accounted for \$1,180,255 or 79.2 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 \$310,321 or 20.8 percent of total receipts of \$1,490,576.
- The School District had \$1,074,531 in disbursements; only \$310,321 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes and entitlements) were \$1,180,255, which were adequate to provide for these programs.
- The General Fund had \$1,330,620 in receipts and \$943,496 in disbursements. The General Fund's balance increased \$424,723 over fiscal year 2006.

### **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.

**College Corner Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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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.

*Basis of Accounting*

The basis of accounting is a set of guidelines that determines 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 fiscal year 2007, 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.

**College Corner Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**

**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.

*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 2007 compared to fiscal year 2006 on a modified cash basis:

Table 1  
Net Assets

	2007	2006	Change
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,855,583	\$1,402,104	\$453,479
Capital Assets	2,651,914	2,689,348	(37,434)
<i>Total Assets</i>	4,507,497	4,091,452	416,045
<b>Net Assets:</b>			
Invested in Capital Assets	2,651,914	2,689,348	(37,434)
Restricted	229,331	184,963	44,368
Unrestricted	1,626,252	1,217,141	409,111
<i>Total Net Assets</i>	\$4,507,497	\$4,091,452	\$416,045

Total net assets of governmental activities increased by \$416,045, as cash and cash equivalents increased by \$453,479 and capital assets decreased by \$37,434. Capital assets decreased by the current fiscal year depreciation because there were no additions. Total net assets increased due to the significant increase in miscellaneous revenue and intergovernmental grant monies. The increase in miscellaneous revenue was due to the timing of when the School District received the retirement reimbursement from the Union County Local School District. The significant increase in intergovernmental grant monies was due to the timing of when grants were received.

**College Corner Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**

Table 2 shows the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

Table 2  
Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Change</u>
<b>Receipts:</b>			
Program Receipts:			
Charges for Services	\$147,193	\$182,052	(\$34,859)
Operating Grants and Contributions	163,063	74,496	88,567
Capital Grants and Contributions	65	3,136	(3,071)
<i>Total Program Receipts</i>	<u>310,321</u>	<u>259,684</u>	<u>50,637</u>
General Receipts:			
Property Taxes Levied for:			
General Purposes	181,477	179,496	1,981
Capital Outlay	40,697	40,062	635
Grants and Entitlements not Restricted to Specific Programs	680,614	629,312	51,302
Gifts and Donations	0	500	(500)
Investment Earnings	80,015	49,560	30,455
Miscellaneous	197,452	106,297	91,155
<i>Total General Receipts</i>	<u>1,180,255</u>	<u>1,005,227</u>	<u>175,028</u>
<i>Total Receipts</i>	<u>1,490,576</u>	<u>1,264,911</u>	<u>225,665</u>
<b>Program Disbursements:</b>			
Instruction:			
Regular	731,433	702,923	28,510
Special	11,595	12,307	(712)
Support Services:			
Instructional Staff	64,469	62,147	2,322
Board of Education	21,185	19,067	2,118
Administration	90,785	77,080	13,705
Fiscal	94,697	24,872	69,825
Operation and Maintenance of Plant	57,824	25,688	32,136
Operation of Non-Instructional Services	2,543	0	2,543
<i>Total Disbursements</i>	<u>1,074,531</u>	<u>924,084</u>	<u>\$150,447</u>
<i>Increase in Net Assets</i>	416,045	340,827	
<i>Net Assets at Beginning of Year</i>	<u>4,091,452</u>	<u>3,750,625</u>	
<i>Net Assets at End of Year</i>	<u><u>\$4,507,497</u></u>	<u><u>\$4,091,452</u></u>	

**College Corner Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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**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 14.9 percent of receipts for governmental activities for the School District for fiscal year 2007. Grants and entitlements not restricted to specific programs made up 45.7 percent of receipts for governmental activities.

Instruction comprises 69.1 percent of School District disbursements. Support services make up 30.6 percent of the disbursements.

The significant increase in operating grants and contributions was due to the School District receiving a significant increase in Title VI-B, Title II-A, and other miscellaneous federal grant monies.

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 2006.

The significant increase in miscellaneous receipts was due to the timing of when the Union County Local School Corporation reimbursed College Corner Local School District for the retirement of employees.

The significant increase in fiscal support services was due to the School District hiring a part-time treasurer in house instead of contracting the services with the Preble County Educational Service Center.

The significant increase in operation and maintenance of plant support services was due to the fact that in prior fiscal years the School District tightly monitored the disbursements in operation and maintenance of plant. During fiscal year 2007, the School District made several disbursements for the general upkeep of the School District.

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.

**College Corner Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**

Table 3  
Governmental Activities

	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>	<u>Total Cost of Services 2006</u>	<u>Net Cost of Services 2006</u>
Instruction:				
Regular	\$731,433	(\$501,092)	\$702,923	(\$507,174)
Special	11,595	47,606	12,307	35,268
Support Services:				
Instructional Staff	64,469	(52,151)	62,147	(57,629)
Board of Education	21,185	(21,185)	19,067	(19,067)
Administration	90,785	(85,785)	77,080	(72,080)
Fiscal	94,697	(91,632)	24,872	(18,736)
Operation and Maintenance of Plant	57,824	(57,610)	25,688	(25,688)
Operation of Non-Instructional Services	2,543	(2,361)	0	706
<i>Total Expenses</i>	<u>\$1,074,531</u>	<u>(\$764,210)</u>	<u>\$924,084</u>	<u>(\$664,400)</u>

**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 \$1,490,576 and disbursements of \$1,037,097. The General Fund had an increase in fund balance of \$424,723 mainly due to the increase in intergovernmental, miscellaneous, and interest receipts coupled with only a slight increase in disbursements during fiscal year 2007.

**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 2007 the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final budget basis receipts were \$1,330,920 which was above the original estimates of \$1,247,540. The \$83,380 difference was mainly due to an increase in miscellaneous receipts.

**College Corner Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**

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For the General Fund, final budget basis disbursements were \$943,496 which was \$1,570,210 below the original estimates of \$2,513,706. The significant decrease from original estimates was due to the School District over-estimating disbursements of the School District. Actual disbursements in the General Fund were \$943,496 which equaled final budget basis disbursements.

**Capital Assets**

At the end of fiscal year 2007, the School District had \$2,651,914 invested in land, building and improvements, and furniture and equipment.

Table 4 shows fiscal year 2007 balances compared to fiscal year 2006.

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

	2007	2006
Land	\$2,000	\$2,000
Building and Improvements	2,648,283	2,685,074
Furniture and Equipment	1,631	2,274
<i>Totals</i>	\$2,651,914	\$2,689,348

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

**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 Jack Mann at the College Corner Local School District, 230 Ramsey Street, College Corner, Ohio 45003.

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**College Corner Local School District**  
Statement of Net Assets - Modified Cash Basis  
June 30, 2007

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,855,583
Nondepreciable Capital Assets	2,000
Depreciable Capital Assets, Net	2,649,914
<i>Total Assets</i>	4,507,497
<b>Net Assets:</b>	
Invested in Capital Assets	2,651,914
Restricted for:	
Capital Outlay	107,810
Other Purposes	31,555
Set-Asides	89,966
Unrestricted	1,626,252
<i>Total Net Assets</i>	\$4,507,497

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, 2007

	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 Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$731,433	\$147,193	\$83,148	\$0	(\$501,092)
Special	11,595	0	59,201	0	47,606
Support Services:					
Instructional Staff	64,469	0	12,318	0	(52,151)
Board of Education	21,185	0	0	0	(21,185)
Administration	90,785	0	5,000	0	(85,785)
Fiscal	94,697	0	3,000	65	(91,632)
Operation and Maintenance of Plant	57,824	0	214	0	(57,610)
Operation of Non-Instructional Services	2,543	0	182	0	(2,361)
<i>Total Governmental Activities</i>	<u>\$1,074,531</u>	<u>\$147,193</u>	<u>\$163,063</u>	<u>\$65</u>	<u>(764,210)</u>
<b>General Receipts:</b>					
Property Taxes Levied for:					
General Purposes					181,477
Capital Outlay					40,697
Grants and Entitlements not Restricted to					
Specific Programs					680,614
Investment Earnings					80,015
Miscellaneous					197,452
<i>Total General Receipts</i>					<u>1,180,255</u>
<i>Change in Net Assets</i>					416,045
<i>Net Assets at Beginning of Year</i>					<u>4,091,452</u>
<i>Net Assets at End of Year</i>					<u>\$4,507,497</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, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,626,252	\$139,365	\$1,765,617
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	89,966	0	89,966
<i>Total Assets</i>	<u>\$1,716,218</u>	<u>\$139,365</u>	<u>\$1,855,583</u>
 <b>Fund Balances:</b>			
Reserved for Encumbrances	\$0	\$4,266	\$4,266
Reserved for Budget Stabilization	20,846	0	20,846
Reserved for Textbooks and Instructional Materials	69,120	0	69,120
Unreserved, Undesignated, Reported in:			
General Fund	1,626,252	0	1,626,252
Special Revenue Funds	0	27,289	27,289
Capital Projects Funds	0	107,810	107,810
<i>Total Fund Balances</i>	<u>\$1,716,218</u>	<u>\$139,365</u>	<u>\$1,855,583</u>

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, 2007

**Total Governmental Fund Balances** \$1,855,583

**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	(114,541)	
Total Capital Assets	2,651,914	

*Net Assets of Governmental Activities* \$4,507,497

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, 2007

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>			
Property Taxes	\$181,477	\$40,697	\$222,174
Tuition and Fees	80,193	0	80,193
Investment Earnings	80,015	0	80,015
Intergovernmental	724,483	119,259	843,742
Rent	67,000	0	67,000
Miscellaneous	197,452	0	197,452
<i>Total Receipts</i>	<u>1,330,620</u>	<u>159,956</u>	<u>1,490,576</u>
<b>Disbursements:</b>			
Current:			
Instruction:			
Regular	649,210	45,432	694,642
Special	627	10,968	11,595
Support Services:			
Instructional Staff	54,869	9,600	64,469
Board of Education	21,185	0	21,185
Administration	79,985	10,419	90,404
Fiscal	78,068	16,367	94,435
Operation and Maintenance of Plant	57,352	472	57,824
Operation of Non-Instructional Services	2,200	343	2,543
<i>Total Disbursements</i>	<u>943,496</u>	<u>93,601</u>	<u>1,037,097</u>
<i>Excess of Receipts Over Disbursements</i>	<u>387,124</u>	<u>66,355</u>	<u>453,479</u>
<b>Other Financing Sources (Uses):</b>			
Advances - In	37,599	0	37,599
Advances - Out	0	(37,599)	(37,599)
<i>Total Other Financing Sources (Uses)</i>	<u>37,599</u>	<u>(37,599)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	424,723	28,756	453,479
<i>Fund Balances at Beginning of Year</i>	<u>1,291,495</u>	<u>110,609</u>	<u>1,402,104</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,716,218</u></u>	<u><u>\$139,365</u></u>	<u><u>\$1,855,583</u></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, 2007

**Net Change in Fund Balances - Total Governmental Funds** \$453,479

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

Governmental funds report capital outlays as disbursements.  
However, in the Statement of Activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation disbursement. In the current period,  
these amounts are:

Depreciation Disbursements	(37,434)
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<i>Change in Net Assets of Governmental Activities</i>	\$416,045
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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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property Taxes	\$165,300	\$181,477	\$181,477	\$0
Tuition and Fees	118,149	80,193	80,193	0
Investments Earnings	41,352	78,012	78,012	0
Intergovernmental	757,806	728,847	724,483	(4,364)
Rent	67,000	67,000	67,000	0
Miscellaneous	97,933	195,391	195,391	0
<i>Total Receipts</i>	<u>1,247,540</u>	<u>1,330,920</u>	<u>1,326,556</u>	<u>(4,364)</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	1,519,558	649,210	649,210	0
Special	1,000	627	627	0
Support Services:				
Instructional Staff	250,355	54,869	54,869	0
Board of Education	89,109	21,185	21,185	0
Administration	212,261	79,985	79,985	0
Fiscal	213,367	78,068	78,068	0
Operation and Maintenance of Plant	217,547	57,352	57,352	0
Operation of Non-Instructional Services	10,509	2,200	2,200	0
<i>Total Disbursements</i>	<u>2,513,706</u>	<u>943,496</u>	<u>943,496</u>	<u>0</u>
<i>Excess of Receipts Over (under) Disbursements</i>	<u>(1,266,166)</u>	<u>387,424</u>	<u>383,060</u>	<u>(4,364)</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Disbursements	0	2,061	2,061	0
Advances - In	0	37,599	37,599	0
Transfers - In	1,000	0	0	0
Other Financing Uses	(20,846)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(19,846)</u>	<u>39,660</u>	<u>39,660</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,286,012)	427,084	422,720	(4,364)
<i>Fund Balance at Beginning of Year</i>	1,239,391	1,239,391	1,239,391	0
<i>Prior Year Encumbrances Appropriated</i>	46,621	46,621	46,621	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$1,713,096</u>	<u>\$1,708,732</u>	<u>(\$4,364)</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, 2007

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**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. 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 ensure 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**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 10).

**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 non-exchange transactions.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**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 rather than reporting by type. 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**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 revenues 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 amounts that 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 fund level.

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 by the board 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. Before fiscal year-end, the School District requested and received a final appropriations resolution that reflected actual disbursements for the fiscal year in all funds.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**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 2007, 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, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investments earnings credited to the General Fund during fiscal year 2007 were \$80,015, which included \$7,721 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented 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.

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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Net Assets**

Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The School District has no debt. 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 \$229,331 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. The reserve for textbooks and instructional materials represents money required to be set aside by State statute for the purchase of textbooks and instructional materials.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**K. Internal Activity**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**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 - 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 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	\$424,723
Unrecorded Cash FY 2006	5,483
Unrecorded Cash FY 2007	<u>(7,486)</u>
Budget Basis	<u><u>\$422,720</u></u>

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim 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;
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);
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, 2007

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**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.

**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, \$6,974 of the School District's bank balance of \$106,974 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

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**

As of June 30, 2007 the School District only had investments in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$1,758,367</u>	Average 39 Days

*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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 5 - PROPERTY TAXES**

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

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. 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 2007 is 12.5 percent. This will be reduced to 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, 2007, are available to finance fiscal year 2007 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, 2007

**NOTE 5 - PROPERTY TAXES** (continued)

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

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$8,144,550	88.90%	\$8,280,080	88.83%
Public Utility Personal	812,520	8.87%	829,440	8.90%
General Business Personal	204,176	2.23%	212,056	2.27%
Total	<u>\$9,161,246</u>	<u>100.00%</u>	<u>\$9,321,576</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$32.10		\$32.10	

**NOTE 6 - CAPITAL ASSETS**

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

	Balance 6/30/06	Additions	Deductions	Balance 6/30/07
<b>Governmental Activities</b>				
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	(74,236)	(36,791)	0	(111,027)
Furniture and Equipment	(2,871)	(643)	0	(3,514)
Total Accumulated Depreciation	<u>(77,107)</u>	<u>(37,434) *</u>	<u>0</u>	<u>(114,541)</u>
Capital Assets, Being Depreciated, Net	<u>2,687,348</u>	<u>(37,434)</u>	<u>0</u>	<u>2,649,914</u>
Governmental Activities Capital Assets, Net	<u>\$2,689,348</u>	<u>(\$37,434)</u>	<u>\$0</u>	<u>\$2,651,914</u>

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 6 - CAPITAL ASSETS** (continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$36,791
Support Services:	
Administration	381
Fiscal	262
Total Depreciation Expense	\$37,434

**NOTE 7 - 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 2007, 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 the 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 8 - 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 toll-free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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 2007, 10.68 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, 2007, 2006, and 2005, were \$12,446, \$9,929, and \$8,973, respectively; the full amount has been contributed for fiscal years 2007, 2006 and 2005.

**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 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 8 - 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 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.

For the fiscal year ended June 30, 2007, 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 2006, 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, 2007, 2006, and 2005, were \$50,026, \$50,700, and \$50,048, respectively; the full amount has been contributed for fiscal years 2007, 2006 and 2005. There were no contributions to the DC and Combined Plans for fiscal year 2007 by the School District.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS** (continued)

**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, 2007, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 9 - 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS 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 cost 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, 2007, 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 \$3,848 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

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

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 9 - POSTEMPLOYMENT BENEFITS** (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$5,012.

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 at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**NOTE 10 - 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 \$7,193 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 11 - 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.

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 11 - SET-ASIDE CALCULATIONS** (continued)

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</u> <u>Stabilization</u>	<u>Textbooks and</u> <u>Instructional</u> <u>Materials</u>	<u>Capital</u> <u>Improvements</u>
Set-aside Reserve Balance as of June 30, 2006.	\$20,846	\$53,508	\$0
Current Fiscal Year Set-aside Require:	0	22,981	22,981
Qualifying Disbursements	0	(7,369)	(70,022)
Current Fiscal Year Offsets	0	0	(40,697)
Totals	<u>\$20,846</u>	<u>\$69,120</u>	<u>(\$87,738)</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$20,846</u>	<u>\$69,120</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements amount below zero. This extra amount 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 \$89,966.

**NOTE 12 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**B. Litigation**

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

**College Corner Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 13 - 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.



# 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, 2008, and 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 30, 2008, wherein, we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-002.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the School District's management in a separate letter dated December 30, 2008.

#### **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 matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-003.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated December 30, 2008.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 30, 2008

COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2008 AND 2007

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

FINDING NUMBER 2008-001

**Noncompliance Citation**

**Ohio Revised Code, § 117.38**, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code 117.38

**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 prepare its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

Officials did not provide a response to the above finding.

FINDING NUMBER 2008-002

**Significant Deficiency**

**Ohio Admin. Code, § 117-2-01(D)**, states, in part, that when designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. The School District lacked management oversight in the posting of receipts. The School District incorrectly posted the following:

- In fiscal year 2007 and fiscal year 2008, \$4,044 and \$2,030, respectively, received for homestead and rollbacks was improperly allocated to the Permanent Improvement Fund instead of the General Fund.
- In fiscal year 2007 \$320 received for the gifted supplement from the state foundation revenue was improperly posted to the General Fund instead of Fund 499 (Miscellaneous State Grants).

The School District made adjustments to the accompanying financial statements for the above items. Failure to properly post revenue can result in inaccurate records and could cause the School District to misappropriate funds. We recommend the School District properly post receipts. The School District should review receipts posted to the receipt ledger for accuracy. Comparisons between years may aid in the proper posting of receipts. To improve accountability and record keeping, we recommend that the School District use due care in posting financial activity to the School District's books.

**Officials' Response:**

Officials did not provide a response to the above finding.

## FINDING NUMBER 2008-003

### Noncompliance Citation

**Ohio Revised Code, § 5705.41(D)(1)**, prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

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

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The School District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The School District did not follow established procedures for certifying expenditures. Of 52 expenditures (26 in each year) tested, three (11%) were not properly certified in fiscal year 2008. All were properly certified in fiscal year 2007. There was no evidence that the School District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

**FINDING NUMBER 2008-003  
(Continued)**

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

**Officials' Response:**

Officials did not provide a response to the above finding.

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**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not Corrected – Reissued as Finding 2008-001
2006-002	Ohio Rev. Code Section 135.18, failure to adequately collateralize deposits	Yes	





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  
JANUARY 27, 2009