

**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	18
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	19
Notes to the Basic Financial Statements	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Schedule of Findings.....	47
Schedule of Prior Audit Findings.....	50

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Columbia Local School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Columbia Local School District, Lorain County, Ohio, as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows, thereof, and the budgetary comparison for the General for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3B to the financial statements, the District restated the June 30, 2007 General Fund and Internal Service Fund balance to reflect the District no longer being self-insured.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

April 7, 2009

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The management's discussion and analysis of Columbia Local School District's (The School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights as of June 30, 2008 are as follows:

- Net assets totaled \$4,389,744 as of June 30, 2008.
- Revenues for governmental activities totaled \$11,026,949 in fiscal year 2008. Of this total, 91.22 percent consisted of general revenues while program revenues accounted for the balance of 8.78 percent.
- Program expenses totaled \$11,849,545. Instructional expenses comprised 55.03 percent of this total, while support services accounted for 38.59 percent. Other expenses rounded out the balance of 6.38 percent.

Using this General Purpose Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we perform financially during 2008?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets and liabilities using the accrual basis of accounting*, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and the changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

position of the School District has improved or diminished. The causes of this change may be the result of many financial or non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

All of the School District's activities are classified as governmental. In the *Statement of Net Assets* and the *Statement of Activities*, the School District's programs and services include instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 16. Fund financial reports provide detailed information about the School District's major funds. 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 – Most of the School District's activities are reported in governmental funds, which focus on how cash flows into and out of those funds and the balances remaining at fiscal year end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental *funds* is reconciled in the financial statements.

Fiduciary Fund – The School District has only one type of fiduciary fund, agency funds. The agency funds are used to account for resources held for the benefit of parties outside the School District. The agency funds are not reflected on the government-wide statements because the resources from those funds are not available to support the School District's programs.

The School District as a Whole

You may recall, the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to the prior year.

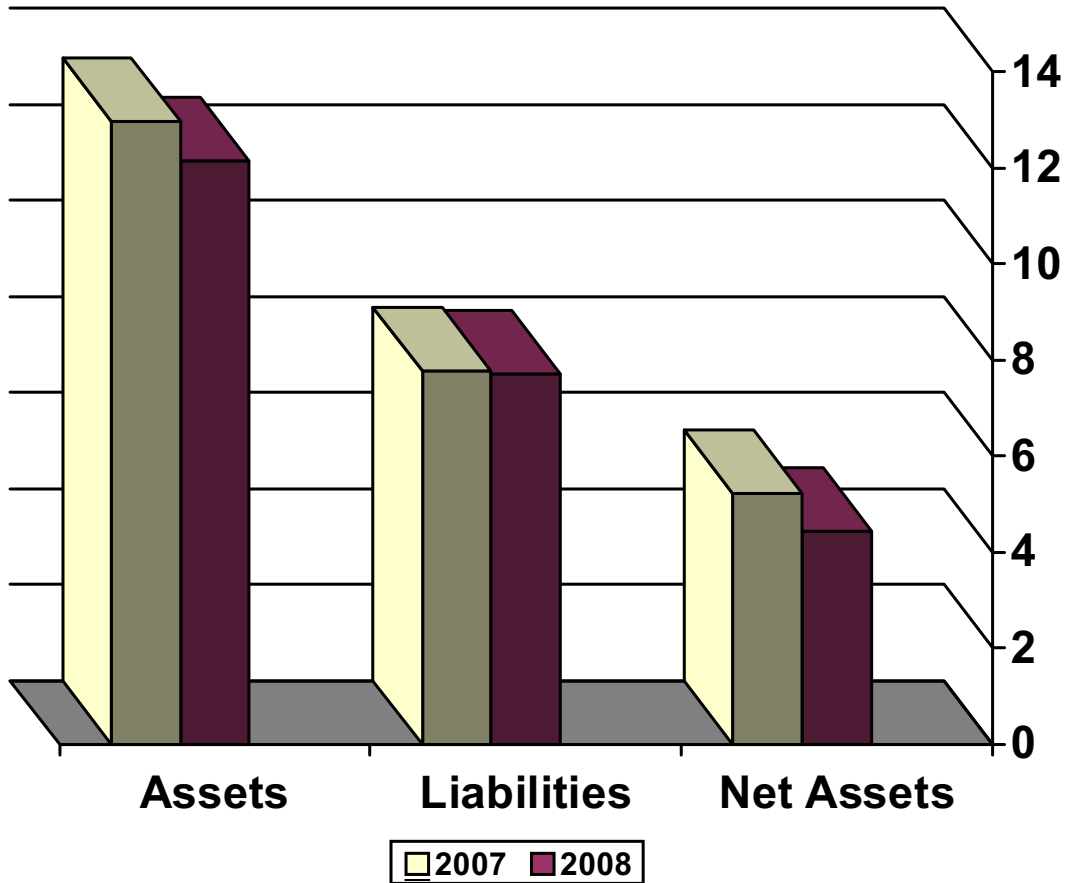
Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 1
Net Assets
Governmental Activities

	2008	2007	Change
Assets			
Current and Other Assets	\$9,621,735	\$10,785,202	(\$1,163,467)
Capital Assets, Net	2,528,978	2,188,792	340,186
<i>Total Assets</i>	<u>12,150,713</u>	<u>12,973,994</u>	<u>(823,281)</u>
Liabilities			
Current Liabilities	7,050,629	7,076,838	26,209
Long Term Liabilities:			
Due Within One Year	390,041	18,601	(371,440)
Due in More than One Year	320,299	666,215	345,916
<i>Total Liabilities</i>	<u>7,760,969</u>	<u>7,761,654</u>	<u>685</u>
Net Assets			
Invested in Capital Assets	2,528,978	2,188,792	340,186
Restricted For:			
Capital Projects	217,897	251,608	(33,711)
Set Asides	0	39,064	(39,064)
Other Purposes	158,828	101,119	57,709
Unrestricted	1,484,041	2,631,757	(1,147,716)
<i>Total Net Assets</i>	<u><u>\$4,389,744</u></u>	<u><u>\$5,212,340</u></u>	<u><u>(\$822,596)</u></u>

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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



Property taxes receivable contributed \$6,248,646 or 51.43 percent of total assets. Of this amount \$5,530,659 is offset as deferred revenue, revenue to be recognized in future periods. Liabilities for governmental activities totaled \$7,760,969. Of this amount \$710,340 or 9.15 percent is long-term. By comparing assets and liabilities, one can see the overall position of the School District is good.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$10,059,014 or 91.22 percent of total revenue, up from \$9,815,772 or 92.10 percent in the prior fiscal year. The most significant portion of the general revenue is the local property tax. The remaining revenue was in the form of program revenues, which equaled \$967,935 or 8.78 percent of total revenue, up from \$841,748 or 7.90 percent in the prior fiscal year.

Table 2 shows the change in net assets for fiscal years 2008 for Governmental Activities compared to the prior year.

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2
Governmental Activities

	2008	2007	Change
Revenues			
Program Revenues:			
Charges for Services	\$426,978	\$409,488	\$17,490
Operating Grants, Interest and Contributions	540,957	425,801	115,156
Capital Grants and Contributions	0	6,459	(6,459)
<i>Total Program Revenues</i>	<u>967,935</u>	<u>841,748</u>	<u>126,187</u>
General Revenues:			
Property Taxes	5,636,076	5,743,131	(107,055)
Grant and Entitlements	3,844,673	3,786,018	58,655
Investment Earnings	141,079	200,100	(59,021)
Gain on Sale of Capital Assets	1,500	0	1,500
Miscellaneous	435,686	86,523	349,163
<i>Total General Revenues</i>	<u>10,059,014</u>	<u>9,815,772</u>	<u>243,242</u>
<i>Total Revenues</i>	<u>11,026,949</u>	<u>10,657,520</u>	<u>369,429</u>
Program Expenses			
Instruction:			
Regular	5,737,304	4,808,434	(928,870)
Special	702,285	689,715	(12,570)
Vocational	80,985	69,325	(11,660)
Support Services:			
Pupils	652,673	590,101	(62,572)
Instructional Staff	375,057	286,381	(88,676)
Board of Education	59,047	23,779	(35,268)
Administration	1,112,394	881,863	(230,531)
Fiscal	402,068	351,719	(50,349)
Operation and Maintenance of Plant	980,103	965,719	(14,384)
Pupil Transportation	845,866	734,719	(111,147)
Central	145,542	112,292	(33,250)
Operation of Non-Instructional Services:			
Food Service Operations	334,253	331,322	(2,931)
Other Non-Instructional Services	210	0	(210)
Extracurricular Activities	421,758	400,759	(20,999)
<i>Total Program Expenses</i>	<u>11,849,545</u>	<u>10,246,128</u>	<u>(1,603,417)</u>
<i>Change in Net Assets</i>	(822,596)	411,392	(1,233,988)
<i>Net Assets Beginning of Year</i>	<u>5,212,340</u>	<u>4,800,948</u>	<u>411,392</u>
<i>Net Assets End of Year</i>	<u>\$4,389,744</u>	<u>\$5,212,340</u>	<u>(\$822,596)</u>

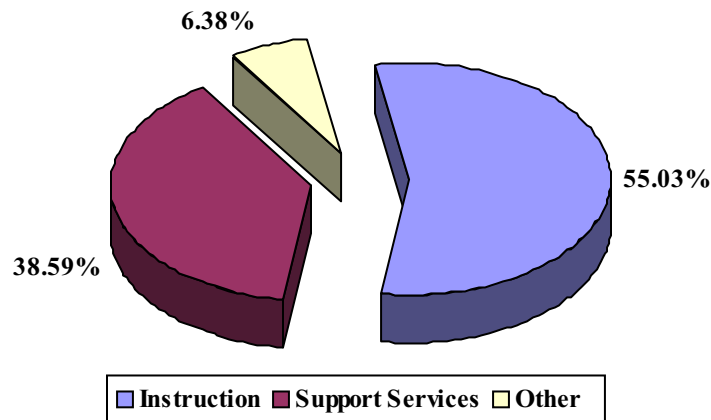
Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Ohio House Bill 920 effectively freezes tax revenue to a specific dollar amount the minute a levy is passed. School districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of academically excellent service.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive grant and entitlement funds to help offset some operating costs. Property taxes accounted for 51.11 percent of revenues for governmental activities for the School District in fiscal year 2008, down from 53.89 percent in the prior year.

Graph 2
Program Expenses



Approximately 55.03 percent of the School District's expenses are instructional expenses. Supporting services for pupils, staff and business operations account for an additional 38.59 percent. The remaining amount of program expenses, roughly 6.38 percent, is budgeted to facilitate other obligations of the School District including food services operations and extracurricular activities.

The School District's net assets decreased in fiscal year 2008 by \$822,596. The decrease was primarily due to an increase in program expenses. Total revenues for the year were \$369,429 higher than the prior year; furthermore, expenses totaled \$1,603,417 higher than the prior year.

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

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
Governmental Activities

Programs	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
Instruction:				
Regular	\$5,737,304	\$4,808,434	\$5,606,783	\$4,675,356
Special	702,285	689,715	635,268	653,196
Vocational	80,985	69,325	80,985	69,325
Support Services:				
Pupils	652,673	590,101	419,194	384,440
Instructional Staff	375,057	286,381	349,210	266,611
Board of Education	59,047	23,779	59,047	23,779
Administration	1,112,394	881,863	1,096,423	869,334
Fiscal	402,068	351,719	402,068	351,719
Operation and Maintenance of Plant	980,103	965,719	941,834	965,719
Pupil Transportation	845,866	734,719	823,680	734,719
Central	145,542	112,292	121,239	92,261
Operation of Non-Instructional Services:				
Food Service Operations	334,253	331,322	19,270	14,111
Other Non-instructional Services	210	0	210	0
Extracurricular Activities	421,758	400,759	326,399	303,810
Total Expenses	<u>\$11,849,545</u>	<u>\$10,246,128</u>	<u>\$10,881,610</u>	<u>\$9,404,380</u>

The reliance upon local tax revenues for governmental activities is crucial at the School District. More than 47.56 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs, investment earnings and other miscellaneous types of revenues support the remaining activity costs. Program revenue accounts for only 8.17 percent of all governmental expenses.

School District's Funds

Information regarding the School District's major fund starts on page 16. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,875,404 and expenditures of \$12,144,106. The net change in fund balance for the year in the general fund was a decrease of \$1,174,515.

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared in accordance with Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The general fund is the most significant budgeted fund and is the main operating fund of the School District.

The School District amended its general fund budget five times during the course of the 2008 fiscal year. The School District uses a modified site-based method of budgeting that has in place systems designed to closely control expenses, but also provides flexibility for decision-making by the site-based management.

The general fund's final revenue budget totaled \$10,210,789 which was \$22,357 more than the original budget estimate of \$10,188,432. The final expenditure budget totaled \$11,240,840 which was \$153,411 less than the original estimate.

The School District's ending unencumbered cash balance totaled \$2,439,539, which was \$282,583 higher than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$2,528,978 in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Table 4 shows fiscal year 2008 values compared to 2007.

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

	Governmental Activities	
	2008	2007
Land	\$400,614	\$400,614
Construction In Progress	0	87,224
Land Improvements	239,846	174,522
Buildings and Improvements	1,072,501	777,886
Furniture and Equipment	303,147	305,774
Vehicles	489,368	418,047
Infrastructure	23,502	24,725
Total	\$2,528,978	\$2,188,792

All capital assets, except land and construction in progress, are reported net of depreciation. The net increase in capital assets during the fiscal year resulted due to various capital projects. The increase in buildings and improvements is mainly due to putting a partial roof on the Copopa Elementary School, paving parking lots and also adding a new waste water treatment plant. The increase in vehicles category was mainly due to the acquisition of new school buses. The construction in progress was completely

Columbia Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

finished during FY 2008 and it was capitalized. For more information on capital assets refer to Note 10 of the basic financial statements.

Debt

At June 30 2008, the School District had no outstanding debt.

School District Outlook

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

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

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

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

Contacting the School District's Financial Management

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

Columbia Local School District

Statement of Net Assets

June 30, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,249,106
Accounts Receivable	8,574
Accrued Interest Receivable	7,092
Intergovernmental Receivable	105,509
Materials and Supplies Inventory	637
Inventory Held for Resale	2,171
Property Taxes Receivable	6,248,646
Non-depreciable Capital Assets	400,614
Depreciable Capital Assets, Net	2,128,364
	<hr/>
<i>Total Assets</i>	12,150,713
	<hr/>
Liabilities	
Accounts Payable	181,510
Accrued Wages and Benefits	889,718
Intergovernmental Payable	375,370
Matured Compensated Absences Payable	73,372
Deferred Revenue	5,530,659
Long-Term Liabilities:	
Due Within One Year	390,041
Due In More Than One Year	320,299
	<hr/>
<i>Total Liabilities</i>	7,760,969
	<hr/>
Net Assets	
Invested in Capital Assets	2,528,978
Restricted for:	
Capital Projects	217,897
Idea VI B	80,635
Teacher Quality	5,517
Other Purposes	72,676
Unrestricted	1,484,041
	<hr/>
<i>Total Net Assets</i>	\$4,389,744
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$5,737,304	\$97,199	\$33,322	(\$5,606,783)
Special	702,285	802	66,215	(635,268)
Vocational	80,985	0	0	(80,985)
Support Services:				
Pupil	652,673	19,050	214,429	(419,194)
Instructional Staff	375,057	0	25,847	(349,210)
Board of Education	59,047	0	0	(59,047)
Administration	1,112,394	0	15,971	(1,096,423)
Fiscal	402,068	0	0	(402,068)
Operation and Maintenance of Plant	980,103	3,324	34,945	(941,834)
Pupil Transportation	845,866	0	22,186	(823,680)
Central	145,542	0	24,303	(121,239)
Operation of Non-Instructional Services:				
Food Service Operations	334,253	230,744	84,239	(19,270)
Other Non-Instructional Services	210	0	0	(210)
Extracurricular Activities	421,758	75,859	19,500	(326,399)
<i>Totals</i>	\$11,849,545	\$426,978	\$540,957	(10,881,610)
 General Revenues				
Property Taxes Levied for:				
General Purposes				5,344,369
Capital Projects				291,707
Grants and Entitlements not Restricted to Specific Programs				3,844,673
Investment Earnings				141,079
Gain on Sale of Capital Assets				1,500
Miscellaneous				435,686
<i>Total General Revenues</i>				10,059,014
Change in Net Assets				(822,596)
<i>Net Assets Beginning of Year</i>				5,212,340
<i>Net Assets End of Year</i>				\$4,389,744

See accompanying notes to the basic financial statements

Columbia Local School District

Balance Sheet

Governmental Funds

June 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,813,359	\$435,747	\$3,249,106
Accounts Receivable	8,574	0	8,574
Accrued Interest Receivable	7,092	0	7,092
Intergovernmental Receivable	0	105,509	105,509
Materials and Supplies Inventory	0	637	637
Inventory Held for Resale	0	2,171	2,171
Interfund Receivable	115,509	0	115,509
Property Taxes Receivable	5,996,361	252,285	6,248,646
<i>Total Assets</i>	<u>\$8,940,895</u>	<u>\$796,349</u>	<u>\$9,737,244</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$103,910	\$77,600	\$181,510
Accrued Wages and Benefits	871,630	18,088	889,718
Intergovernmental Payable	356,266	19,104	375,370
Matured Compensated Absences Payable	73,372	0	73,372
Interfund Payable	0	115,509	115,509
Deferred Revenue	5,407,514	313,187	5,720,701
<i>Total Liabilities</i>	<u>6,812,692</u>	<u>543,488</u>	<u>7,356,180</u>
Fund Balances			
Reserved for Encumbrances	212,114	37,840	249,954
Reserved for Property Taxes	588,847	23,304	612,151
Unreserved, Undesignated Reported in:			
General Fund	1,327,242	0	1,327,242
Special Revenue Funds	0	71,996	71,996
Capital Projects Funds	0	119,721	119,721
<i>Total Fund Balances</i>	<u>2,128,203</u>	<u>252,861</u>	<u>2,381,064</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,940,895</u>	<u>\$796,349</u>	<u>\$9,737,244</u>

See accompanying notes to the basic financial statements

Columbia Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances	\$2,381,064
---	--------------------

*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.	2,528,978
---	-----------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the fund.

Property Taxes	105,836
Grants	<u>84,206</u>

Total	190,042
-------	---------

Long-term liabilities such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(710,340)</u>
---	------------------

<i>Net Assets of Governmental Activities</i>	<u><u>\$4,389,744</u></u>
--	---------------------------

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$5,346,522	\$223,715	\$5,570,237
Intergovernmental	3,866,859	414,660	4,281,519
Interest	141,079	0	141,079
Tuition and Fees	19,801	32,211	52,012
Extracurricular Activities	0	92,845	92,845
Contributions and Donations	0	19,905	19,905
Charges for Services	48,053	230,744	278,797
Rentals	3,324	0	3,324
Miscellaneous	409,750	25,936	435,686
<i>Total Revenues</i>	<u>9,835,388</u>	<u>1,040,016</u>	<u>10,875,404</u>
Expenditures			
Current:			
Instruction:			
Regular	5,623,399	57,136	5,680,535
Special	635,825	42,215	678,040
Vocational	79,039	0	79,039
Support Services:			
Pupil	405,523	225,181	630,704
Instructional Staff	331,051	27,414	358,465
Board of Education	59,047	0	59,047
Administration	1,056,569	13,559	1,070,128
Fiscal	394,021	0	394,021
Operation and Maintenance of Plant	1,101,531	4,478	1,106,009
Pupil Transportation	882,673	0	882,673
Central	108,533	16,115	124,648
Operation of Non-Instructional Services:			
Food Service Operations	0	319,171	319,171
Other Non-Instructional Services	0	210	210
Extracurricular Activities	298,192	102,861	401,053
Capital Outlay	0	360,363	360,363
<i>Total Expenditures</i>	<u>10,975,403</u>	<u>1,168,703</u>	<u>12,144,106</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,140,015)</u>	<u>(128,687)</u>	<u>(1,268,702)</u>
Other Financing Sources (Uses)			
Transfers In	0	34,500	34,500
Transfers Out	(34,500)	0	(34,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(34,500)</u>	<u>34,500</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(1,174,515)</u>	<u>(94,187)</u>	<u>(1,268,702)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3B)</i>	<u>3,302,718</u>	<u>347,048</u>	<u>3,649,766</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,128,203</u></u>	<u><u>\$252,861</u></u>	<u><u>\$2,381,064</u></u>

See accompanying notes to the basic financial statements

Columbia Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$1,268,702)

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

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

Capital Asset Additions	575,451	
Current Year Depreciation	<u>(235,265)</u>	
 Total		 340,186

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

Delinquent Property Taxes	65,839	
Grants	<u>84,206</u>	
 Total		 150,045

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (44,125)

Change in Net Assets of Governmental Activities (\$822,596)

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$5,087,598	\$5,847,410	\$5,851,454	\$4,044
Intergovernmental	3,676,169	3,678,909	3,866,859	187,950
Interest	121,142	142,000	148,300	6,300
Tuition and Fees	70,071	41,929	47,804	5,875
Charges for Services	800,000	71,725	68,053	(3,672)
Rentals	22,027	21,700	23,324	1,624
Miscellaneous	411,425	407,116	414,021	6,905
<i>Total Revenues</i>	<u>10,188,432</u>	<u>10,210,789</u>	<u>10,419,815</u>	<u>209,026</u>
Expenditures				
Current:				
Instruction:				
Regular	5,521,913	5,705,567	5,685,549	20,018
Special	673,542	632,380	632,234	146
Vocational	78,648	80,900	80,633	267
Support Services:				
Pupil	313,279	422,908	422,308	600
Instructional Staff	384,524	337,173	336,969	204
Board of Education	88,525	63,631	63,001	630
Administration	1,118,234	1,056,876	1,056,687	189
Fiscal	406,597	390,111	389,812	299
Operation and Maintenance of Plant	1,005,125	1,175,521	1,174,603	918
Pupil Transportation	985,204	904,310	904,260	50
Central	536,642	175,513	175,237	276
Extracurricular Activities	282,018	295,950	285,054	10,896
<i>Total Expenditures</i>	<u>11,394,251</u>	<u>11,240,840</u>	<u>11,206,347</u>	<u>34,493</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,205,819)</u>	<u>(1,030,051)</u>	<u>(786,532)</u>	<u>243,519</u>
Other Financing Sources (Uses)				
Transfers In	35,950	0	0	0
Advances In	56,078	60,936	60,936	0
Transfers Out	(100,000)	(73,564)	(34,500)	39,064
Advances Out	(25,000)	(115,509)	(115,509)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(32,972)</u>	<u>(128,137)</u>	<u>(89,073)</u>	<u>39,064</u>
<i>Net Change in Fund Balance</i>	(1,238,791)	(1,158,188)	(875,605)	282,583
<i>Fund Balance Beginning of Year</i>	2,846,579	2,846,579	2,846,579	0
Prior Year Encumbrances Appropriated	468,565	468,565	468,565	0
<i>Fund Balance End of Year</i>	<u>\$2,076,353</u>	<u>\$2,156,956</u>	<u>\$2,439,539</u>	<u>\$282,583</u>

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets	
Equity Pooled in Cash and Cash Equivalents	<u><u>\$69,097</u></u>
Liabilities	
Undistributed Monies	\$4,780
Due to Students	<u>64,317</u>
<i>Total Liabilities</i>	<u><u>\$69,097</u></u>

See accompanying notes to the basic financial statements

This page is intentionally left blank.

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

Note 1 - Description of the Local School District and Reporting Entity

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

The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by State and federal agencies. Each member is elected to a four year term. The Board of Education controls the School District's three instructional and three support facilities staffed by 54 non-certified personnel, 80 certified teaching personnel and 6 administrators who provide services to 1,165 students.

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

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, agencies, departments and offices that are not legally separate from the School District. For Columbia Local School District, this includes the agencies and departments that provide the following services: general operations, food service, and student related activities.

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 does not have any component units.

The School District participates in two public entity risk pools and four jointly governed organizations. These organizations are the Ohio School Boards Association Workers' Compensation Group Rating Program, Lake Erie Employee Protection Plan, Lake Erie Educational Computer Association, Lake Erie Regional Council of Governments, Lorain County Joint Vocational School District and Ohio Schools Council Association. These organizations are presented in Notes 15 and 16 of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards

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

Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, does not have business-type activities.

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

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

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

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.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two agency funds which account for a soft drink sales operation and student activities.

C. Measurement Focus

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

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

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

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to a money market mutual fund and StarOhio. The investment in the mutual fund is reported at fair value which is based on current share price.

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, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$141,079 which includes \$21,464 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. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

G. 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 externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The restricted asset in the general fund is money required by State statute to be set-aside to create a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

H. Inventory

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

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. 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.

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:

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture and Equipment	3-15 years
Vehicles	10 years
Infrastructure	50 years

For fiscal 2008, the School District reported infrastructure consisting of three sewage treatment facilities.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's vesting policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

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

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed by law on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$376,725 of restricted net assets, of which none is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for local grant programs, education management information systems, data communications, school-net professional development, miscellaneous state grant programs, title I, drug free schools, classroom size reduction and miscellaneous federal grant programs.

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

N. Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

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

O. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. 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 and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Q. Estimates

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

Note 3 – Changes in Accounting Principles and Restatement of Prior Year’s Fund Balances

A. Changes in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amounts of \$11,795 and \$8,172 respectively, which are the same as the previous reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this Statement did not result in any change to the financial statements.

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

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this Statement did not result in any change to the financial statements.

B. Restatement of Prior Year's Fund Balances

As of June 30, 2007, the School District was no longer self-insured and it was determined that the self insurance fund should be classified as part of general fund. This change had the following effect on fund balances at June 30, 2007:

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance, June 30, 2007	\$2,691,917	\$347,048	\$3,038,965
Reclassification of Internal Service Fund	610,801	0	610,801
Restated Fund Balance, June 30, 2007	\$3,302,718	\$347,048	\$3,649,766

	Internal Service
Net Assets, June 30, 2007	\$610,801
Reclassification of Internal Service Fund	(610,801)
Restated Net Assets, June 30, 2007	\$0

Note 4 – Accountability

The following funds had deficit fund balances as of June 30, 2008:

	Amounts
<i>Special Revenue Funds</i>	
Food Service	\$10,330
Drug Free Schools	400
Teacher Quality	544

The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in a fund and provides transfers when cash is required, rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and

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

encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Net Change in Fund Balance	
GAAP Basis	(\$1,174,515)
Net Adjustment for Revenue Accruals	584,427
Advances In	60,936
Net Adjustment for Expenditure Accruals	142,876
Advances Out	(115,509)
Encumbrances	<u>(373,820)</u>
Budget Basis	<u><u>(\$875,605)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, 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,
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.

Deposits

Custodial Credit Risk 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, \$2,148,277 of the School District's bank balance of \$2,452,173 was uninsured and uncollateralized. Although the collateral securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirement 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,

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

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.

Investments

As of June 30, 2008, the School District had the following investments:

	Fair Value	Average Maturity
Money Market Mutual Fund	\$388,286	1 month
STAROhio	530,127	53.8 days
Total	\$918,413	

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that operating funds be invested primarily in investments so that the securities mature to meet cash requirements for ongoing operations and long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk STAROhio carries a rating of AAA 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 money market mutual fund account carries a AAA rating by Standard and Poor’s. The School District has no policy that addresses credit risk.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 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.

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

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. 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 Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable; only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$588,847 in the general fund and \$23,304 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$1,093,779 in the general fund and \$44,368 in the permanent improvement capital projects fund.

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

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

	2007 Second		%	2008 First	
	Half Collections			Half Collections	
	Amount	Percent		Amount	Percent
Agricultural/Residential and Other Real Estate	\$198,257,530	96.08	%	\$199,486,010	96.98 %
Public Utility Personal	6,248,990	3.03		5,306,030	2.58
Tangible Personal Property	1,835,663	0.89		904,133	0.44
Total	<u>\$206,342,183</u>	<u>100.00</u>	<u>%</u>	<u>\$205,696,173</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation		\$53.52		\$53.52	

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose

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

for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Title VI-B Grant and Subsidies	\$96,954
Classroom Size Reduction Grant and Subsidies	6,061
Title V Grant and Subsidies	2,494
Total Intergovernmental Receivables	\$105,509

Note 9 - Risk Management

A. Insurance

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.

Company	Type of Coverage	Coverage Amount
Love Insurance Company	Building and Contents-replacement cost	\$24,544,846
	Flood Liability	1,000,000
Netherlands Insurance Company	General Liability:	
	Per Occurrence	1,000,000
	Per Year	2,000,000
	Automobile Liability:	
	Combined Single Limit	1,000,000
	Bodily Injury per Occurrence	50,000
	Employee Benefits	3,000,000

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

B. Bonding

Public officials bonds of \$20,000 are maintained for the Superintendent and the Board President by Continental Casualty Company. The Treasurer is covered by the Travelers Casualty and Surety Company of America in the amount of \$20,000.

C. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 15). The intent of

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

the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice provides administrative, cost control and actuarial services to the GRP.

Note 10 - Capital Assets

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

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities				
<i>Capital Assets, not being Depreciated:</i>				
Land	\$400,614	\$0	\$0	\$400,614
Construction In Progress	87,224	220,718	307,942	0
<i>Total Capital Assets, not being depreciated</i>	<u>487,838</u>	<u>220,718</u>	<u>307,942</u>	<u>400,614</u>
<i>Capital Assets, being Depreciated:</i>				
Land Improvements	313,026	79,220	0	392,246
Buildings and Improvements	3,010,264	347,149	0	3,357,413
Furniture and Equipment	1,798,262	80,250	98,379	1,780,133
Vehicles	1,002,212	156,056	45,900	1,112,368
Infrastructure	72,075	0	0	72,075
<i>Total Capital Assets, being depreciated</i>	<u>6,195,839</u>	<u>662,675</u>	<u>144,279</u>	<u>6,714,235</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(138,504)	(13,896)	0	(152,400)
Buildings and Improvements	(2,232,378)	(52,534)	0	(2,284,912)
Furniture and Equipment	(1,492,488)	(82,877)	(98,379)	(1,476,986)
Vehicles	(584,165)	(84,735)	(45,900)	(623,000)
Infrastructure	(47,350)	(1,223)	0	(48,573)
<i>Total Accumulated Depreciation</i>	<u>(4,494,885)</u>	<u>(235,265) *</u>	<u>(144,279)</u>	<u>(4,585,871)</u>
Total Capital Assets, being depreciated, net	<u>1,700,954</u>	<u>427,410</u>	<u>0</u>	<u>2,128,364</u>
Governmental Activities, Capital Assets, Net	<u>\$2,188,792</u>	<u>\$648,128</u>	<u>\$307,942</u>	<u>\$2,528,978</u>

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

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$99,784
Special	2,357
Support Services:	
Pupil	3,272
Instructional Staff	1,619
Administration	5,386
Fiscal	628
Operation and Maintenance of Plant	9,189
Pupil Transportation	97,158
Central	2,223
Operation of Non-Instructional Services:	
Food Service Operations	2,969
Extracurricular Activities	10,680
Total Depreciation Expense	\$235,265

Note 11 - Defined Benefit Pension Plans

A. School Employee 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 can 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 \$137,968, \$200,145 and \$189,746 respectively; 42.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

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

St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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. 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 \$641,836, \$665,196, and \$628,508 respectively; 81.17 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$10,917 made by the School District and \$13,960 made by the plan members.

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, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages paid.

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

Note 12 - Post Employment Benefits

A. School Employee 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 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 the System 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 St., 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 \$22,719.

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 \$62,959, \$46,619, and \$43,525 respectively; 42.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare 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 \$9,941, \$12,743, and \$12,781 respectively; 42.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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 or by calling (888) 227-7877.

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

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

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 \$49,372, \$47,369, and \$44,617 respectively; 81.17 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn up to twenty-five days of vacation per year, depending upon length of service. Administrators may cash out and/or carry over up to ten days of vacation. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one fourth days per month. A percentage of unused sick time is paid at retirement. The number of unused sick days which can accumulate is restricted.

B. Health Care Benefits

The School District has contracted with Lake Erie Employee Protection Plan (LEEP) to provide health and dental insurance. LEEP is a program administered by Lake Erie Regional Council of Governments (LERC). On July 1, 2007, LERC assumed responsibility for all outstanding claims.

C. Life Insurance

Life insurance is offered to employees through Lake Erie Regional Council of Governments through Fort Dearborn Life Insurance Company. The Treasurer and Superintendent receive \$250,000 coverage for \$30 per month; administrators and supervisors receive \$50,000 coverage for \$6 per month, and certified employees receive coverage equal to their pay to the nearest thousand up to \$50,000, custodial and clerical employees receive \$20,000 for \$2.40 per month, and other non-bargaining employees receive \$9,000 for \$1.08 per month.

Note 14 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008	Due In One Year
Governmental-Type Activities:					
Compensated Absences	\$666,215	\$92,377	\$48,252	\$710,340	\$390,041

Compensated absences will be paid from the general fund and the food service special revenue fund. In the prior year, due in one year included only the retired employees payable in the subsequent year. Currently, the due in one year amount is the amount of all estimated amounts for eligible employees ready to retire plus the use of leave for the next year.

The School District's overall legal debt margin was \$18,355,256 with an unvoted debt margin of \$203,947 at June 30, 2008.

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

Note 15 – Public Entity Risk Pools

A. Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. In fiscal year 2008, the enrollment fee was \$1,045.

B. Shared Risk Pool

The School District participates in the Lake Erie Employee Protection Plan (LEEP) to provide health and dental insurance. LEEP is a program administered by Lake Erie Regional Council of Governments (See Note 16 for additional information). This is a shared risk pool comprised of fifteen regional school districts. LEEP is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. A member can withdraw from participation in the plan by notifying the fiscal agent on or before January 15 of the year preceding the fiscal year in which the school district will withdraw. If the school district withdraws, no further contribution would be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract. The assembly exercises control over the operation of the plan. Plan revenues are generated from charges for services.

Note 16 - Jointly Governed Organizations

A. Lake Erie Educational Computer Association

The Lake Erie Educational Computer Association (LEECA) is a jointly governed computer service Bureau that was formed for the purpose of providing data services to its thirty-member districts. Major areas of service provided by LEECA include: accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance and grade reporting. Each school is represented on the LEECA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Lorain County Educational Service Center serves as the fiscal agent of LEECA. Each school district supports LEECA based upon a per pupil charge dependent upon software packages used. In fiscal year 2008, the School District paid \$22,510 to LEECA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 1885 Lake Avenue, Elyria, Ohio 44035.

B. Lake Erie Regional Council of Governments

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

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

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

C. Lorain County Joint Vocational School District

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

D. Ohio Schools Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2008, the District paid \$1,058 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates, if the school district will commit to participating for a twelve year period. There are currently 137 districts in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated payments which are compared to their actual usage for the year (July to June). Refund checks are issued

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

to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced.

Note 17 - Interfund Transfers and Balances

A. Interfund Transfers

The general fund transferred \$12,000 to the food service and \$22,500 to the student athletics non-major special revenue funds. The transfers were made to support the activities of the funds.

B. Interfund Balances

Interfund balances at June 30, 2008, consist of an interfund receivable/payable between the general fund and the nonmajor governmental funds in the amount of \$115,509. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any 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 party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 19 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be required to be set-aside.

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2007	(\$110,784)	\$0	\$39,064
Current Year Set-Aside Requirement	170,652	170,652	0
Current Year Offset	0	(279,722)	0
Qualifying Disbursements	(208,842)	(698,885)	(39,064)
Totals	<u>(\$148,974)</u>	<u>(\$807,955)</u>	<u>\$0</u>
Set-Aside Balances Carried Forward to Future Fiscal Years	<u>(\$148,974)</u>	<u>\$0</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

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

(This Page Intentionally Left Blank)



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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Columbia Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 7, 2009, wherein we noted the District restated the June 30, 2007 General Fund and Internal Service Fund balance to reflect the District no longer being self-insured. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 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 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.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the 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. However, we believe the significant deficiency described above, finding number 2008-002, is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated April 7, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 7, 2009.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

April 7, 2009

COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

FINDING NUMBER 2008-001

Certification of Availability of Funds

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

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

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

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

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

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

10 of 60 (17%) transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

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

**FINDING NUMBER 2008-001 – NONCOMPLIANCE FINDING
(Continued)**

Certification of Availability of Funds (Continued)

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

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

Official's Response:

The District began the use of the "Then and Now" Certificate in the latter part of FY 2008 and has continued to do so. A copy of that Certificate was given to the Auditor. The District will continue to educate the employees in the importance of the use of the purchase order prior to purchasing.

FINDING NUMBER 2008-002 – MATERIAL WEAKNESS

Statement on Auditing Standards 112 - Effects on Annual Financial Report – Material Weakness

Paragraph 18 of the *Statement on Auditing Standards 112* documents that the identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a strong indicator of a material weakness even if management subsequently corrects the misstatement.

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the District's accounting records:

1. The District posted \$63,405 of tax advance revenue to the Permanent Improvement Fund. This tax advance should be posted to the General Fund. Also, because of this mis-posting, deferred revenue was overstated in the General Fund and understated in the Permanent Improvement Fund by said amount.
2. The District overstated reserved for encumbrances in the Other Governmental Funds by \$63,474.
3. The District understated accounts payable in the Other Governmental Funds by \$48,727.

**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

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

**FINDING NUMBER 2008-002 – MATERIAL WEAKNESS
(Continued)**

**Statement on Auditing Standards 112 - Effects on Annual Financial Report – Material Weakness
(Continued)**

4. The District's balance sheet reported \$39,064 in equity in pooled cash and cash equivalents and reserved for bus stabilization in the general fund and on footnote 19 – Set-Aside Calculations. The account was erroneously labeled bus stabilization and should be budget stabilization. However, during the fiscal year, the District eliminated this account altogether.
5. The District's Capital Asset footnote, Note 10, failed to report any additions or deletions or depreciation expense. Therefore, the following balances within the footnote changed:

The total capital assets, not being depreciated, balance at June 30, 2008 decreased by \$87,224, from \$487,838 to \$400,614.

The total capital assets, being depreciated, (net) balance at June 30, 2008 increased by \$427,410, from \$1,700,954 to 2,128,364.

The overall effect on governmental activities, capital assets, (net) balance at June 30, 2008 increased by \$340,186, from \$2,188,792 to \$2,528,978.

The following adjustments were inconsequential to the overall financial statements of the District and were not posted to the financial statements but were posted to the current year summary of unadjusted differences:

1. The District failed to include \$165,283 in expenditures that should have been posted as accrued wages in the General Fund. The District also failed to include \$20,867 in expenditures that should have been posted as accrued wages in the Other Governmental Funds. The net effect on the Governmental Activities is \$186,150.
2. The District erroneously posted \$21,303 in intergovernmental revenue in the Other Governmental Funds. This should be posted as deferred revenue.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Board of Education adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data throughout the year.

Officials' Response:

The District, with the hiring of a new fiscal officer, has begun to work on these issues to get them corrected in subsequent fiscal years.

COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 5705.41(D)(1), certification of availability of funds.	No	Not corrected. <i>Re-issued as 2008-001.</i>



Mary Taylor, CPA
Auditor of State

COLUMBIA LOCAL SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009