

**Mary Taylor, CPA**  
Auditor of State



**COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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# 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 the Columbia Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2006, 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, 2006, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2007, 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

March 16, 2007

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

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The discussion and analysis of Columbia Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to those respective statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- Net assets totaled \$4,800,948 for 2006.
- Revenue for governmental activities totaled \$10,458,961 in 2006. Of this total, 92.3 percent consisted of general revenues while program revenues accounted for the balance of 7.7 percent.
- Program expenses totaled \$10,003,285. Instructional expenses comprised 54.1 percent of this total, while support services accounted for 39.5 percent. Other expenses rounded out the balance of 6.4 percent.

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

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

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

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

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

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

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**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 15. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

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



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

**The School District as a Whole**

As you may recall, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 compares summaries of the School District's net assets for 2006 and 2005.

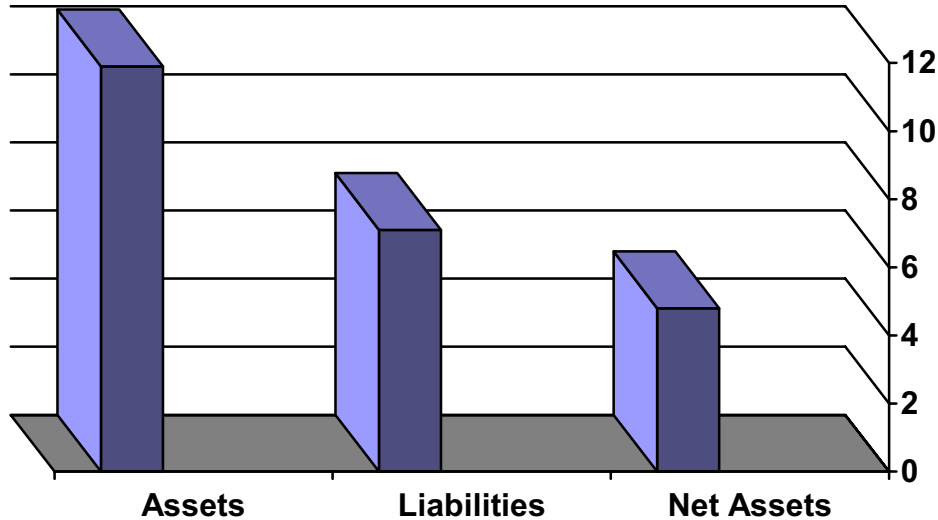
**Table 1 - Total Net Assets**

	<u>2006</u>	<u>2005</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$9,606,611	\$9,696,976	(\$90,365)
Capital Assets, Net	2,291,666	1,633,636	658,030
<b>Total Assets</b>	<u>11,898,277</u>	<u>11,330,612</u>	<u>567,665</u>
<b>Liabilities</b>			
Current and Other Liabilities	6,438,903	6,401,847	37,056
Long Term Liabilities:			
Due Within One Year	14,825	33,296	(18,471)
Due in More than One Year	643,601	550,197	93,404
<b>Total Liabilities</b>	<u>7,097,329</u>	<u>6,985,340</u>	<u>111,989</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	2,291,666	1,633,636	658,030
Restricted:			
Capital Projects	65,895	469,477	(403,582)
Set Asides	39,064	39,064	0
Other Purposes	137,126	158,684	(21,558)
Unrestricted	2,267,197	2,044,411	222,786
<b>Total Net Assets</b>	<u>\$4,800,948</u>	<u>\$4,345,272</u>	<u>\$455,676</u>

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

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



Property taxes receivable contributed \$6,428,644 or 54 percent of total assets. Of this amount \$4,971,076 is offset as deferred revenue; revenue to be used in future periods. In May of 2005 a 3.45 mill operating levy was passed yielding \$625,000 annually, beginning in fiscal year 2006, with full collection occurring in fiscal year 2007. Liabilities for Governmental Activities totaled \$7,097,329; of this amount \$658,426 or 9.3 percent is included in long-term liabilities. By comparing assets and liabilities, one can see the overall position of the School District is good. The vast majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$9,651,285 or 92.3 percent of total revenue. The most significant portion of the General revenue is the local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$807,676 or 7.7 percent of total revenue.

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*Management's Discussion and Analysis*  
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Table 2 shows the changes in net assets for fiscal years 2006 and 2005.

**Table 2**  
**Changes in Net Assets**

**Table 2 - Governmental Activities**

<b>Revenues</b>	<b>2006</b>	<b>2005</b>
Program Revenues:		
Charges for Services and Sales	\$432,078	\$421,880
Operating Grants, Interest and Contributions	361,226	354,904
Capital Grants and Contributions	14,372	18,114
<i>Total Program Revenues</i>	<u>807,676</u>	<u>794,898</u>
General Revenues:		
Property Taxes	5,892,664	6,493,032
Grants and Entitlements not Restricted to Specific Programs	3,574,132	3,613,171
Investment Earnings	145,924	64,139
Miscellaneous	38,565	77,923
Total General Revenues	<u>9,651,285</u>	<u>10,248,265</u>
<b>Total Revenues</b>	<u>10,458,961</u>	<u>11,043,163</u>
<b>Program Expenses</b>		
Instruction:		
Regular	4,662,441	4,324,948
Special	541,908	558,671
Vocational	69,008	67,706
Other	141,793	109,510
Support Services:		
Pupils	562,380	581,702
Instructional Staff	319,273	264,100
Board of Education	78,773	66,394
Administration	804,562	711,677
Fiscal	337,100	279,667
Operation and Maintenance of Plant	1,045,213	977,854
Pupil Transportation	713,196	585,125
Central	86,654	97,571
Food Service Operations	310,802	281,356
Extracurricular Activities	330,182	343,079
Interest and Fiscal Charges	0	2,352
<b>Total Expenses</b>	<u>10,003,285</u>	<u>9,251,712</u>
<b>Change in Net Assets</b>	455,676	1,791,451
<i>Net Assets Beginning of Year</i>	<u>4,345,272</u>	<u>2,553,821</u>
<i>Net Assets End of Year</i>	<u>\$4,800,948</u>	<u>\$4,345,272</u>

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

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**Governmental Activities**

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

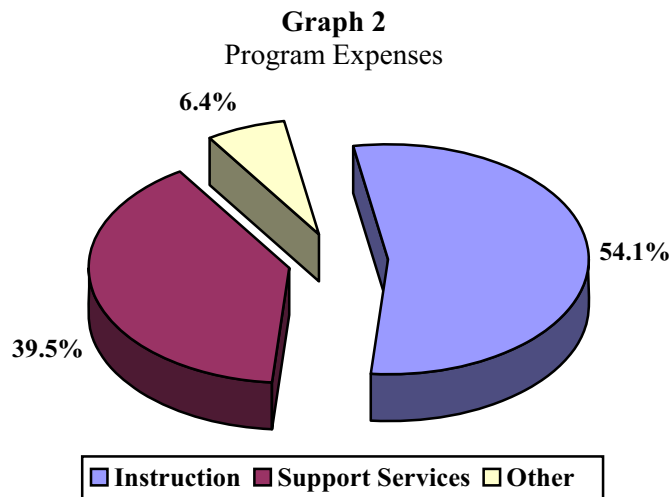
Ohio House Bill 920 effectively freezes tax revenue to a specific dollar amount the minute a levy is passed. This House Bill also eliminates any growth from local revenue; therefore, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters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

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive grant and entitlement funds to help offset some operating costs. Property taxes made up 56.3 percent of revenues for governmental activities for Columbia Local Schools in fiscal year 2006.

Approximately 54.1 percent of the School District's budget is used for instructional expenses. Supporting services for pupils, staff and business operations account for an additional 39.5 percent. The remaining amount of program expenses, roughly 6.4 percent, is budgeted to facilitate other obligations of the School District including food service operations, extracurricular activities, and interest and fiscal charges.

The School District's net assets increased in fiscal year 2006 by \$455,676. The increase was primarily due to frugal management.

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



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

**Table 3**  
**Governmental Activities**

<b>Programs</b>	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>
Instruction:		
Regular	\$4,662,441	\$4,536,040
Special	541,908	511,874
Vocational	69,008	69,008
Other	141,793	141,793
Support Services:		
Pupils	562,380	384,355
Instructional Staff	319,273	319,273
Board of Education	78,773	78,773
Administration	804,562	789,979
Fiscal	337,100	337,100
Operation and Maintenance of Plant	1,045,213	1,045,213
Pupil Transportation	713,196	713,196
Central	86,654	74,454
Food Service Operations	310,802	(6,118)
Extracurricular Activities	330,182	200,669
<b>Total Expenses</b>	<b>\$10,003,285</b>	<b>\$9,195,609</b>

The reliance upon local tax revenues for governmental activities is crucial at Columbia Local Schools. About 58.9 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs, investment earnings and other miscellaneous types of revenues support the remaining general activity costs. Program revenues account for only 8.1 percent of all governmental expenses.

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

**School District's Funds**

Information pertaining to the School District's major fund can be found on page 15. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$10,442,588 and expenditures and other financing uses of \$10,819,712.

**General Fund Budgeting Highlights**

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

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

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During the course of the 2006 fiscal year, the School District amended its general fund several times.

The General Fund's budget basis revenue totaled \$9,301,717, which was \$547,908 more than the original budget estimate of \$8,753,809. The budget basis expenditures totaled \$9,981,527, which were \$394,069 more than the original appropriations of \$9,587,458.

The School District's ending unencumbered cash balance totaled \$1,562,602, which was \$153,839 higher than the originally budgeted amount.

**Capital Assets**

*Capital Assets*

At the end of fiscal year 2006, the School District had \$6,525,207 in land and land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Table 4 shows fiscal year 2006 values compared to 2005.

**Table 4**  
**Capital Assets**

	<b>Governmental Activities</b>		
	<b>2006</b>	<b>2005</b>	<b>Change</b>
Land & Land Improvements	\$687,220	\$252,451	\$434,769
Buildings and Improvements	3,010,264	2,847,230	163,034
Furniture and Equipment	1,753,436	1,796,229	(42,793)
Vehicles	1,002,212	983,219	18,993
Infrastructure	72,075	72,075	0
Total	<u>\$6,525,207</u>	<u>\$5,951,204</u>	<u>\$574,003</u>

For more information on capital assets refer to Note 9 of the basic financial statements.

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

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**School District Outlook**

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

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

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

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

*The DeRolph Case*

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

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

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan (the DeRolph case). The decision reaffirmed earlier decisions that Ohio's current school-funding decision was unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". Subsequent attempts by the Plaintiffs to enforce the ruling by the Court were met with a rejection by the Ohio Supreme Court. The Plaintiffs responded in August 2003, by filing a petition for a Writ of Certiorari with the U.S. Supreme Court, asking the Court to accept an appeal relative to the Ohio Supreme Court's decision prohibiting Perry County Judge Linton Lewis from considering the Coalition's motion to establish a compliance conference pertaining to the Court's DeRolph school funding decisions.

**Columbia Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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In October 2003, the U.S. Supreme Court denied the petition. As of the date of these financial statements, the consensus opinion is that the DeRolph case is over and done. The State continues to struggle with the development of a constitutional school funding system currently through the work of the Governor's Blue Ribbon Task Force on Financing Student Success. The recommendations of the Task Force, which has been working diligently to reach consensus on school funding improvements to provide a system that is predictable, affordable, spends money effectively, and supports student achievement, are expected to be key to the development of the education portion of the state's budget for the second year of the biennium.

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

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

**Contacting the School District's Financial Management**

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



# Columbia Local School District

## Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,672,744
Cash and Cash Equivalents with Fiscal Agent	422,767
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	39,064
Interest Receivable	10,812
Intergovernmental Receivable	15,797
Materials and Supplies Inventory	16,783
Property Taxes Receivable	6,428,644
Nondepreciable Capital Assets	400,614
Depreciable Capital Assets, Net	<u>1,891,052</u>
<i>Total Assets</i>	<u>11,898,277</u>
<b>Liabilities</b>	
Accounts Payable	217,192
Accrued Wages and Benefits Payable	868,390
Intergovernmental Payable	247,245
Deferred Revenue	4,971,076
Claims Payable	135,000
Long-Term Liabilities:	
Due Within One Year	14,825
Due In More Than One Year	<u>643,601</u>
<i>Total Liabilities</i>	<u>7,097,329</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,291,666
Restricted for:	
Capital Projects	65,895
Set Asides	39,064
Other Purposes	137,126
Unrestricted	<u>2,267,197</u>
<i>Total Net Assets</i>	<u><u>\$4,800,948</u></u>

See accompanying notes to the basic financial statements

**Columbia Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$4,662,441	\$58,188	\$53,841	\$14,372	(\$4,536,040)
Special	541,908	0	30,034	0	(511,874)
Vocational	69,008	0	0	0	(69,008)
Other	141,793	0	0	0	(141,793)
Support Services:					
Pupils	562,380	0	178,025	0	(384,355)
Instructional Staff	319,273	0	0	0	(319,273)
Board of Education	78,773	0	0	0	(78,773)
Administration	804,562	0	14,583	0	(789,979)
Fiscal	337,100	0	0	0	(337,100)
Operation and Maintenance of Plant	1,045,213	0	0	0	(1,045,213)
Pupil Transportation	713,196	0	0	0	(713,196)
Central	86,654	0	12,200	0	(74,454)
Food Service Operations	310,802	244,377	72,543	0	6,118
Extracurricular Activities	330,182	129,513	0	0	(200,669)
<i>Totals</i>	<u>\$10,003,285</u>	<u>\$432,078</u>	<u>\$361,226</u>	<u>\$14,372</u>	<u>(\$9,195,609)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					5,605,605
Capital Projects					287,059
Grants and Entitlements not Restricted to Specific Programs					3,574,132
Investment Earnings					145,924
Miscellaneous					38,565
<i>Total General Revenues</i>					<u>9,651,285</u>
Change in Net Assets					455,676
<i>Net Assets Beginning of Year</i>					<u>4,345,272</u>
<i>Net Assets End of Year</i>					<u>\$4,800,948</u>

See accompanying notes to the basic financial statements

**Columbia Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2006*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,957,460	\$715,284	\$2,672,744
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	39,064	0	39,064
Interest Receivable	10,812	0	10,812
Interfund Receivable	544,241	0	544,241
Intergovernmental Receivable	0	15,797	15,797
Materials and Supplies Inventory	0	16,783	16,783
Property Taxes Receivable	6,149,896	278,748	6,428,644
<i>Total Assets</i>	<u>\$8,701,473</u>	<u>\$1,026,612</u>	<u>\$9,728,085</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$205,790	\$11,402	\$217,192
Accrued Wages and Benefits Payable	849,641	33,574	883,215
Intergovernmental Payable	234,417	12,828	247,245
Interfund Payable	0	544,241	544,241
Deferred Revenue	4,806,953	223,255	5,030,208
<i>Total Liabilities</i>	<u>6,096,801</u>	<u>825,300</u>	<u>6,922,101</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	228,141	95,483	323,624
Reserved for Property Taxes	1,342,943	60,106	1,403,049
Reserved for Budget Stabilization	39,064	0	39,064
Unreserved, Undesignated			
Reported in:			
General Fund	994,524	0	994,524
Special Revenue Funds	0	82,054	82,054
Capital Projects Funds	0	(36,331)	(36,331)
<i>Total Fund Balances</i>	<u>2,604,672</u>	<u>201,312</u>	<u>2,805,984</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,701,473</u>	<u>\$1,026,612</u>	<u>\$9,728,085</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, 2006*

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<b>Total Governmental Fund Balances</b>	\$2,805,984
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,291,666
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.	59,132
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	287,767
Long-term liabilities such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	<u>(643,601)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$4,800,948</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, 2006*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$5,579,537	\$287,059	\$5,866,596
Intergovernmental	3,497,984	437,374	3,935,358
Interest	136,319	0	136,319
Tuition and Fees	20,510	37,678	58,188
Extracurricular Activities	0	129,513	129,513
Contributions and Donations	50	14,322	14,372
Charges for Services	0	244,377	244,377
Rentals	8,501	0	8,501
Miscellaneous	26,042	4,022	30,064
<i>Total Revenues</i>	<u>9,268,943</u>	<u>1,154,345</u>	<u>10,423,288</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,586,127	738,877	5,325,004
Special	508,387	28,642	537,029
Vocational	69,008	0	69,008
Other	141,793	0	141,793
Support Services:			
Pupils	380,284	204,557	584,841
Instructional Staff	281,344	37,171	318,515
Board of Education	78,773	0	78,773
Administration	788,004	12,781	800,785
Fiscal	336,074	4,775	340,849
Operation and Maintenance of Plant	1,045,222	5,128	1,050,350
Pupil Transportation	655,435	115,811	771,246
Central	54,081	30,791	84,872
Operation of Non-Instructional Services	0	308,826	308,826
Extracurricular Activities	276,916	111,605	388,521
<i>Total Expenditures</i>	<u>9,201,448</u>	<u>1,598,964</u>	<u>10,800,412</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>67,495</u>	<u>(444,619)</u>	<u>(377,124)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	19,300	19,300
Transfers Out	(19,300)	0	(19,300)
<i>Total Other Financing Sources (Uses)</i>	<u>(19,300)</u>	<u>19,300</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	48,195	(425,319)	(377,124)
<i>Fund Balances Beginning of Year</i>	<u>2,556,477</u>	<u>626,631</u>	<u>3,183,108</u>
<i>Fund Balances End of Year</i>	<u>\$2,604,672</u>	<u>\$201,312</u>	<u>\$2,805,984</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, 2006*

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**Net Change in Fund Balances - Total Governmental Funds** (377,124)

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

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

Capital Outlay	847,428
Depreciation	<u>(189,398)</u>

Total 658,030

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

Property Taxes	26,068
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(60,108)
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The internal service fund used by management to charge the costs of health insurance is included in the statement of activities and not in the governmental fund expenditures.

<u>208,810</u>
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*Change in Net Assets of Governmental Activities*

<u><u>\$455,676</u></u>
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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, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$5,415,040	\$5,498,077	\$5,520,478	\$22,401
Intergovernmental	3,229,269	3,363,367	3,497,984	134,617
Interest	50,000	117,000	132,060	15,060
Tuition and Fees	15,000	17,365	20,510	3,145
Rentals	0	5,000	8,501	3,501
Miscellaneous	44,500	26,422	26,114	(308)
<i>Total Revenues</i>	8,753,809	9,027,231	9,205,647	178,416
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,340,453	4,546,811	4,494,216	52,595
Special	541,712	574,995	574,507	488
Vocational	99,983	69,713	68,601	1,112
Other	146,107	154,607	154,478	129
Support Services:				
Pupils	399,069	391,453	390,063	1,390
Instructional Staff	255,812	274,598	274,082	516
Board of Education	58,309	71,609	71,564	45
Administration	688,927	811,494	811,173	321
Fiscal	328,575	336,714	335,108	1,606
Business	1,920	1,920	0	1,920
Operation and Maintenance of Plant	1,056,658	1,150,890	1,139,257	11,633
Pupil Transportation	550,864	683,526	683,446	80
Central	137,760	119,590	119,172	418
Extracurricular Activities	257,356	306,002	302,319	3,683
Miscellaneous	723,953	0	0	0
<i>Total Expenditures</i>	9,587,458	9,493,922	9,417,986	75,936
<i>Excess of Revenues Over (Under) Expenditures</i>	(833,649)	(466,691)	(212,339)	254,352
<b>Other Financing Sources (Uses)</b>				
Advances In	0	96,070	96,070	0
Advances Out	0	(544,241)	(544,241)	0
Transfers Out	0	(19,300)	(19,300)	0
<i>Net Change in Fund Balance</i>	(833,649)	(934,162)	(679,810)	254,352
<i>Fund Balance Beginning of Year</i>	1,854,909	1,854,909	1,854,909	0
Prior Year Encumbrances Appropriated	387,503	387,503	387,503	0
<i>Fund Balance End of Year</i>	<u>\$1,408,763</u>	<u>\$1,308,250</u>	<u>\$1,562,602</u>	<u>\$254,352</u>

See accompanying notes to the basic financial statements

**Columbia Local School District**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2006*

	<b>Self- Insurance Fund</b>
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$422,767
<b>Liabilities</b>	
Claims Payable	<u>135,000</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$287,767</u></u>

See accompanying notes to the basic financial statements



**Columbia Local School District**  
*Statement of Revenues,  
 Expenses and Changes in Fund Net Assets  
 Internal Service Fund  
 For the Fiscal Year Ended June 30, 2006*

	<b>Self- Insurance Fund</b>
<b>Operating Revenues</b>	
Charges for Services	\$865,172
<b>Operating Expenses</b>	
Claims	665,967
<i>Operating Income</i>	199,205
<b>Nonoperating Revenues</b>	
Investment Earnings	9,605
<i>Change in Net Assets</i>	208,810
<i>Net Assets Beginning of Year</i>	78,957
<i>Net Assets End of Year</i>	\$287,767

See accompanying notes to the basic financial statements

**Columbia Local School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2006

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<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$865,172
Cash Payments for Claims	(670,911)
<i>Net Cash Provided by Operating Activities</i>	<u>194,261</u>
<b>Cash Flows from Investing Activities</b>	
Interest Received	<u>9,605</u>
<i>Net Increase in Cash and Cash Equivalents</i>	203,866
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>218,901</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$422,767</u></u>
<b><i>Reconciliation of Operating Income to</i></b>	
<b><i>Net Cash Provided by Operating Activities</i></b>	
<i>Operating Income</i>	<u>\$199,205</u>
<b>Adjustments to Reconcile Operating Income to</b>	
<b>Net Cash Provided by Operating Activities</b>	
Decrease in Liabilities:	
Claims Payable	<u>(4,944)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$194,261</u></u>

See accompanying notes to the basic financial statements

**Columbia Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2006*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$64,751</u>
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**Liabilities**

Accounts Payable	\$1,852
Due to Students	<u>62,899</u>

<i>Total Liabilities</i>	<u>\$64,751</u>
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See accompanying notes to the basic financial statements

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

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**Note 1 - Description of the School District**

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

The School District operates under a locally elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's three instructional and three support facilities staffed by 48 classified employees, 79 certified teachers and 12 administrators who provide services to 1,155 students.

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

***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and, (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provides financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The School District is associated with four jointly governed organizations. These organizations are the Lake Erie Educational Computer Association (LEECA), Lake Erie Regional Council of Governments (LERC), Lorain County Joint Vocational School District (LCJVSD), and the Ohio Schools Council Association (Council). These organizations and their relationships are discussed in Note 15 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The basic financial statements of the Columbia Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary funds provided they do not

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

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

***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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

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

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

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

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

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

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District's internal service fund is a self-insurance program for employee medical and dental insurance.

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

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

***E. Budgetary Data***

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



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

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

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

***F. Cash and Cash Equivalents***

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

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

During fiscal year 2006, investments were limited to Certificate of Deposits, Money Market Account, and STAROhio, the State Treasurer's Investment Pool.

Columbia Local School District has invested funds in STAROhio (the State Treasury Asset Reserve of Ohio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

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

***G. Inventory***

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

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

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

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***I. Capital Assets***

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold was one thousand dollars during the fiscal year. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

***J. Compensated Absences***

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

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

***K. Accrued Liabilities and Long-term Obligations***

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

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

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

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***L. Net Assets***

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

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

***M. Fund Balance Reserves***

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

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

***N. Interfund Activity***

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

***O. Operating Revenue and Expenses***

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

***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. The District had no extraordinary or special items during this fiscal year.

**Columbia Local School District**  
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***Q. Estimates***

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

**Note 3 – Accountability and Compliance**

***A. Fund Deficit***

The IDEA B Grant Fund, which is a special revenue fund, had a deficit fund balance of \$11,643 as of June 30, 2006. This deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur. This fund complied with Ohio State Law which does not permit a cash fund deficit at year-end.

***B. Change In Accounting Principles***

For fiscal year 2006, the District implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of these GASB Statements did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$48,195
Net Adjustment for Revenue Accruals	32,774
Net Adjustment for Expenditure Accruals	(326,848)
Adjustment for Encumbrances	(433,931)
Budget Basis	<u><u>(\$679,810)</u></u>

**Note 5 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and

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Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At year end, the School District had \$1,100 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$1,487,057 and the bank balance was \$1,511,485. Of the bank balance:

1. \$100,000 of the bank balance was covered by depository insurance; and
2. \$1,411,485 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2006, \$1,411,485 of the District’s bank balance of \$1,511,485 was exposed to custodial risk as discussed below, while \$100,000 was covered by FDIC.

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

**Investments** As of June 30, 2006, the District had the following investments and maturities:

	Balance at Fair Value	Mature In 6 Months or Less
Money Market	\$647,752	\$647,752
STAROhio	1,063,417	1,063,417
Total Investments	\$1,711,169	\$1,711,169

The weighted average maturity of investments is .5 years.

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

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

**Concentration of Credit Risk:** The District places no limit on the amount that may be invested in any one issuer. As of June 30, 2006, the money market investment represented 37.8 percent of total investments and STAROhio represented 62.2 percent.

***Reconciliation of Cash and Investments to the Statement of Net Assets***

The following is a reconciliation of cash and investments as reported in the footnote above, to cash and investments as reported on the Statement of Net Assets as of June 30, 2006:

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<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$1,487,057
Investments	1,711,169
Cash on hand	<u>1,100</u>
Total	<u><u>\$3,199,326</u></u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Unrestricted and Restricted Cash	\$3,134,575
Agency Fund	<u>64,751</u>
Total	<u><u>\$3,199,326</u></u>

**Note 6 – Interfund Transactions**

Interfund loans receivable/payable consisted of the following at June 30, 2006, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 544,241

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid after revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the Statement of Net Assets.

Interfund transfers for the year ended June 30, 2006 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfer from general fund to:	
Nonmajor governmental funds	\$19,300

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the Statement of Activities.



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

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

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for property including inventory for 2006 is 18.75%. This will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. It phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 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.

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The amount available as an advance at June 30, 2006 was \$1,342,943 in the general fund and \$60,106 in the permanent improvement fund. The amount available as an advance at June 30, 2005, was \$1,283,884 in the general fund and \$85,087 in the permanent improvement service fund. The difference was in the timing and collection by the County Auditor.

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

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

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$171,090,290	94.41%	\$174,505,690	95.34%
Public Utility Property	6,737,440	3.72	6,229,800	3.40
Tangible Personal Property	3,391,005	1.87	2,302,740	1.26
<b>Total</b>	<b>\$181,218,735</b>	<b>100.00%</b>	<b>\$183,038,230</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$55.98		\$54.83	

**Note 8 - Receivables**

Receivables at June 30, 2006, consisted of interest, property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year except delinquent property taxes.

Intergovernmental receivables are as follows:

Federal Nutrition	\$11,072
Title V Grant	2,342
Drug Free Grant	461
Title II-A Grant	1,922
<b>Total</b>	<b>\$15,797</b>

**Columbia Local School District**  
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**Note 9 - Capital Assets**

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

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$57,921	\$342,693	\$0	\$400,614
 <i>Capital Assets, being Depreciated</i>				
Land Improvements	194,530	92,076	0	286,606
Infrastructure	72,075	0	0	72,075
Buildings and Improvements	2,847,230	163,034	0	3,010,264
Furniture and Equipment	1,796,229	133,814	(176,607)	1,753,436
Vehicles	983,219	115,811	(96,818)	1,002,212
<i>Total Capital Assets, being Depreciated</i>	5,893,283	504,735	(273,425)	6,124,593
	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Less: Accumulated Depreciation:				
Land Improvements	120,341	8,650	0	128,991
Infrastructure	44,904	1,223	0	46,127
Buildings and Improvements	2,135,178	45,823	0	2,181,001
Furniture and Equipment	1,526,453	57,347	(176,607)	1,407,193
Vehicles	490,692	76,355	(96,818)	470,229
<i>Total Accumulated Depreciation</i>	4,317,568	189,398 *	(273,425)	4,233,541
<i>Total Capital Assets, being Depreciated, Net</i>	1,575,715	315,337	0	1,891,052
<i>Governmental Activities Capital Assets, Net</i>	\$1,633,636	\$658,030	\$0	\$2,291,666

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

Instruction:	
Regular	\$74,043
Special	211
Support Services:	
Pupils	2,400
Instructional Staff	1,103
Administration	3,894
Operation and Maintenance of Plant	4,858
Pupil Transportation	88,204
Central	1,782
Operation of Non-Instructional Services	2,156
Extracurricular	10,747
Total Depreciation Expense	\$189,398

**Columbia Local School District**  
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**Note 10 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2006, the School District contracted with the Somers Agency Inc. for property insurance. The primary deductibles are \$1,000 for property coverages. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

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

***B. Workers' Compensation***

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

***C. Employee Health Benefits***

The School District has contracted with Lake Erie Employee Protection Plan (LEEP) to provide for health and dental insurance. LEEP is a program administered by Lake Erie Regional Council of Governments (LERC). The LEEP is a claims sharing pool comprised of eleven school districts that provide public education within Lorain County. The District pays monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow however individual balances are maintained. The plan contains a stop-loss provision of \$100,000 per participant.

The claim liability of \$135,000 reported at June 30, 2006 was estimated by LERC and is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. Changes in the balance of claims liability for fiscal years 2004, 2005, and 2006 are summarized below. Incurred claims and claims payments are not segregated between current and prior year's claims due to the impracticability of obtaining such information.

	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2004	\$140,920	\$481,233	\$516,633	\$105,520
2005	105,520	666,845	632,421	139,944
2006	139,944	665,967	670,911	135,000

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**Note 11 - Other Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per year, depending upon length of service. Vacation days are credited to classified employees on July first and employees can carryover into the next fiscal year five vacation days a year. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement. The number of unused sick days which can accumulate is restricted.

***B. Life Insurance***

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

**Note 12- Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$189,746, \$179,869 and \$173,159 respectively; 48.1 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

***B. State Teachers Retirement System***

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$628,508, \$593,638, and \$567,028 respectively; 83.5 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$1,471 made by the School District and \$8,552 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, 2006, two members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**Note 13 - Postemployment Benefits**

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

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All STRS benefit recipients and sponsored dependants are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Fund. For the School District, this amount equaled \$44,893 for fiscal year 2006.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$84,337.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207 and the target level was \$238.1 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS had approximately 59,492 participants currently receiving health care benefits.

**Note 14 - Long - Term Obligations**

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

	Principal Outstanding 6/30/05	Additions	Deletions	Principal Outstanding 6/30/06	Amounts Due in One Year
<b>Governmental Activities</b>					
Compensated Absences	583,493	74,933		658,426	14,825
Total Governmental Activities	<u>\$583,493</u>	<u>\$74,933</u>	<u>\$0</u>	<u>\$658,426</u>	<u>\$14,825</u>

Compensated absences will be paid from the General and Food Service Funds.

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

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**Note 15 - Jointly Governed Organizations**

***A. Lake Erie Educational Computer Association***

The Lake Erie Educational Computer Association (LEECA) is a jointly governed computer service Bureau that was formed for the purpose of providing data services to its thirty member districts. Major areas of service provided by LEECA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LEECA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Lorain County Educational Service Center serves as the fiscal agent of LEECA. Each school district supports LEECA based upon a per pupil charge dependent upon the software packages used. In fiscal year 2006, the School District paid \$15,505 to LEECA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 1885 Lake Avenue, Elyria, OH 44035.

***B. Lake Erie Regional Council of Governments***

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

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Lorain County Educational Service Center located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2006, the District paid \$ 1,003,184 to LERC.

***C. Lorain County Joint Vocational School District***

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

***D. Ohio School's Council Association***

The Ohio Schools' Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2006, the School District paid \$81,313 to the Council. Financial information can be obtained by contacting David A. Cottrel, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.



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

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

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

**Note 16 – 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 17 - Contingencies**

***Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**Note 18 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2006, only the unspent portions continue to be a set-aside.

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2005	(\$44,783)	\$0	\$39,064
Current Year Set-Aside Requirement	163,809	163,809	0
Current Year Offset	0	0	0
Qualifying Disbursements	(152,467)	(721,971)	0
Totals	<u>(\$33,441)</u>	<u>(\$558,162)</u>	<u>\$39,064</u>
Set-Aside Balances Carried Forward to Future Fiscal Years	<u>(\$33,441)</u>	<u>\$0</u>	<u>\$39,064</u>
Set-Aside Reserve Balance as of June 30, 2006	<u>\$0</u>	<u>\$0</u>	<u>\$39,064</u>

Textbook expenditures and offset credits exceeded the statutory requirement by \$33,441, which may be used to reduce the set-aside requirement for future years. Capital improvements expenditures and offset credits exceeded statutory requirements by \$558,162, which may not be used to reduce set-aside requirements for future years. Therefore, the Capital Improvements balance is not carried forward to future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$39,064.



# 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, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 16, 2007, we reported other matters involving the internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated March 16, 2007, we reported other matters related to noncompliance we deemed immaterial.

Columbia Local School District  
Lorain County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*  
Page 2

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

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

March 16, 2007

COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2006

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001 – NONCOMPLIANCE FINDING**

**Certification of Availability of Funds**

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

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

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

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

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

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

**COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2006  
(CONTINUED)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001 – NONCOMPLIANCE FINDING  
(Continued)**

**Certification of Availability of Funds (Continued)**

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

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

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

**Official's Response:**

We will continue to encourage employees to obtain valid purchase orders before obligating District funds and we will explore the possibility of using "Then and Now Certificates."

**COLUMBIA LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 5705.41 (D)(1), certifying the availability of funds.	No	Not Corrected. Reissued as 2006-001
2005-002	Requirements of SAS 70. The District did not obtain the required Type II SAS 70 report for health care claims processing	Yes	







**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  
APRIL 5, 2007**