



**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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## INDEPENDENT ACCOUNTANTS' REPORT

College Corner Local School District  
Preble County  
101 East Main Street  
Eaton, Ohio 45320

To the Board of Education:

We have audited the accompanying financial statements of College Corner Local School District, Preble County, Ohio (the District), as of and for the fiscal years ended June 30, 2000 and 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code, Section 117-2-01, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District as of June 30, 2000 and 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the fiscal years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the administration, Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

January 26, 2001

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COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS  
AND FUND CASH BALANCES - ALL FUND TYPES -  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Cash	\$18,674
Investments	<u>1,871,611</u>
Total Cash and Investments	<u><u>\$1,890,285</u></u>

CASH BALANCES BY FUND TYPE

**Governmental:**

General fund	\$1,840,141
Special revenue funds	3,939
Capital projects funds	45,205

**Fiduciary:**

Expendable trust funds	<u>1,000</u>
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<b>Total</b>	<u><u>\$1,890,285</u></u>
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*The notes to the financial statements are an integral part of this statement.*



COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY

COMBINED STATEMENT OF CASH AND  
FUND CASH BALANCES - ALL FUND TYPES -  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Cash and Cash Equivalent \$1,407,379

CASH BALANCES BY FUND TYPE

**Governmental:**

General fund	\$1,401,181
Special revenue funds	2,500
Capital projects funds	2,698

**Fiduciary:**

Expendable trust funds	<u>1,000</u>
------------------------	--------------

**Total** \$1,407,379

*The notes to the financial statements are an integral part of this statement.*

COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND  
EXPENDABLE TRUST FUND - FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenue:</b>					
Revenue from Local Sources:					
Taxes	\$138,201		\$35,654		\$173,855
Earning on Investments	91,977				91,977
Miscellaneous	39,483			\$1,000	40,483
Revenue from State Sources:					
Unrestricted Grants in Aid	450,363		4,133		454,496
Restricted Grants in Aid		\$6,210	3,500		9,710
Revenue for/on Behalf of the District	53,445				53,445
Revenue from Federal Sources:					
Restricted Grants in Aid		7,646			7,646
<b>Total Revenue</b>	<u>773,469</u>	<u>13,856</u>	<u>43,287</u>	<u>1,000</u>	<u>831,612</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	286,873	1,210			288,083
Special					0
Supporting Service:					
Pupils		6,818			6,818
Instructional	1,696				1,696
Board of Education	27,571			1,000	28,571
Administration	5,287	928			6,215
Fiscal Services	8,225	3,461	780		12,466
Operation and Maintenance - Plant	4,857				4,857
<b>Total Expenditures</b>	<u>334,509</u>	<u>12,417</u>	<u>780</u>	<u>1,000</u>	<u>348,706</u>
Excess of Revenue Over (Under) Expenditures:	<u>438,960</u>	<u>1,439</u>	<u>42,507</u>	<u>0</u>	<u>482,906</u>
<b>Other Financing Sources and (Uses):</b>					
Transfers-in	53,963				53,963
Transfers-out	(53,963)				(53,963)
Total other financing receipts/(disbursements)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of cash receipts and other financing receipts (Under) Cash Disbursements	<u>438,960</u>	<u>1,439</u>	<u>42,507</u>	<u>0</u>	<u>482,906</u>
Fund Cash Balances, July 1, 1999	<u>1,401,181</u>	<u>2,500</u>	<u>2,698</u>	<u>1,000</u>	<u>1,407,379</u>
<b>Fund Cash Balances, June 30, 2000</b>	<u><b>\$1,840,141</b></u>	<u><b>\$3,939</b></u>	<u><b>\$45,205</b></u>	<u><b>\$1,000</b></u>	<u><b>\$1,890,285</b></u>
Reserve for encumbrances, June 30, 2000	<u>\$25,839</u>	<u>\$663</u>	<u>\$0</u>	<u>\$1,000</u>	<u>\$27,502</u>
Reserve for Budget Stabilization, June 30, 2000	<u>\$10,154</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,154</u>
Reserve for Textbook Reserve, June 30, 2000	<u>\$12,681</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,681</u>
Designated for Textbook Reserve, June 30, 2000	<u>\$7,395</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,395</u>

*The notes to the financial statements are an integral part of this statement.*

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND  
EXPENDABLE TRUST FUND - FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenue:</b>					
Revenue from Local Sources:					
Taxes	\$125,144		\$35,213		\$160,357
Earning on Investments	67,230				67,230
Miscellaneous	59,814				59,814
Revenue from State Sources:					
Unrestricted Grants in Aid	417,588		4,109		421,697
Restricted Grants in Aid		\$8,158	4,900		13,058
Revenue for/on Behalf of the District	47,718				47,718
Revenue from Federal Sources:					
Restricted Grants in Aid		14,796			14,796
<b>Total Revenue</b>	<u>717,494</u>	<u>22,954</u>	<u>44,222</u>	<u>0</u>	<u>784,670</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	278,636	18,413	65,245		362,294
Special		1,075			1,075
Supporting Service:					
Pupils					0
Instructional	1,478	365			1,843
Board of Education	13,157				13,157
Administration	15,995	527			16,522
Fiscal Services	37,845	5,978	782		44,605
Operation and Maintenance - Plant	28,414		24,217		52,631
<b>Total Expenditures</b>	<u>375,525</u>	<u>26,358</u>	<u>90,244</u>	<u>0</u>	<u>492,127</u>
Excess of Revenue Over (Under) Expenditures:	<u>341,969</u>	<u>(3,404)</u>	<u>(46,022)</u>	<u>0</u>	<u>292,543</u>
<b>Other Financing Sources and (Uses):</b>					
Transfers-in	24,841	8	6,300	1,000	32,149
Transfers-out	(32,149)				(32,149)
<b>Total other financing receipts/(disbursements)</b>	<u>(7,308)</u>	<u>8</u>	<u>6,300</u>	<u>1,000</u>	<u>0</u>
Excess of cash receipts and other financing receipts (Under) Cash Disbursements	334,661	(3,396)	(39,722)	1,000	292,543
Fund Cash Balances, July 1, 1998	1,066,520	5,896	42,420	0	1,114,836
<b>Fund Cash Balances, June 30, 1999</b>	<u><b>\$1,401,181</b></u>	<u><b>\$2,500</b></u>	<u><b>\$2,698</b></u>	<u><b>\$1,000</b></u>	<u><b>\$1,407,379</b></u>
Reserve for encumbrances, June 30, 1999	<u>\$330</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$330</u>
Reserve for Budget Stabilization, June 30, 1999	<u>\$4,969</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,969</u>

*The notes to the financial statements are an integral part of this statement.*

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General fund	\$741,963	\$827,432	\$85,469
Special revenue funds	23,278	13,856	(9,422)
Capital projects funds	43,355	43,287	(68)
Fiduciary:			
Expendable trust funds	0	1,000	1,000
<b>Totals (Memorandum only)</b>	<b><u><u>\$808,596</u></u></b>	<b><u><u>\$885,575</u></u></b>	<b><u><u>\$76,979</u></u></b>

*The notes to the financial statements are an integral part of this statement.*

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<b>Fund Types/Funds</b>	<b>Prior Year Carryover Appropriations</b>	<b>Appropriations</b>	<b>Total</b>	<b>Disbursements</b>	<b>Encumbrances Outstanding At 6/30/00</b>	<b>Total</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>							
General fund	\$330	\$396,550	\$396,880	\$388,472	\$25,839	\$414,311	(\$17,431)
Special revenue funds	0	26,159	26,159	12,417	663	13,080	13,079
Capital projects funds	0	44,000	44,000	780	0	780	43,220
<b>Fiduciary:</b>							
Expendable trust funds	0	1,000	1,000	1,000	1,000	2,000	(1,000)
<b>Totals (Memorandum only)</b>	<b>\$330</b>	<b>\$467,709</b>	<b>\$468,039</b>	<b>\$402,669</b>	<b>\$27,502</b>	<b>\$430,171</b>	<b>\$37,868</b>

*The notes to the financial statements are an integral part of this statement.*

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<b>Fund Types/Funds:</b>	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance Favorable (Unfavorable)</b></u>
<b>Governmental:</b>			
General fund	\$744,387	\$742,335	(\$2,052)
Special revenue funds	22,961	22,962	1
Capital projects funds	48,470	50,522	2,052
<b>Fiduciary:</b>			
Expendable trust funds	<u>1,000</u>	<u>1,000</u>	<u>0</u>
<b>Totals (Memorandum only)</b>	<u><b>\$816,818</b></u>	<u><b>\$816,819</b></u>	<u><b>\$1</b></u>

*The notes to the financial statements are an integral part of this statement.*

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<b>Fund Types/Funds</b>	<b>Prior Year Carryover Appropriations</b>	<b>Appropriations</b>	<b>Total</b>	<b>Disbursements</b>	<b>Encumbrances Outstanding At 6/30/99</b>	<b>Total</b>	<b>Variance Favorable/ (Unfavorable)</b>
Governmental:							
General fund	\$5	\$467,141	\$467,146	\$407,675	\$330	\$408,005	\$59,141
Special revenue funds	0	17,400	17,400	26,357	0	26,357	(8,957)
Capital projects funds	14,328	80,600	94,928	90,245	0	90,245	4,683
Fiduciary:							
Expendable trust funds	0	1,000	1,000	0	0	0	1,000
<b>Totals (Memorandum only)</b>	<b><u>\$14,333</u></b>	<b><u>\$566,141</u></b>	<b><u>\$580,474</u></b>	<b><u>\$524,277</u></b>	<b><u>\$330</u></b>	<b><u>\$524,607</u></b>	<b><u>\$55,867</u></b>

*The notes to the financial statements are an integral part of this statement.*

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**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The College Corner Local School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a five-member elected Board of Education and is responsible for the provision of public education to residents of the School District. Average daily membership (ADM) as of October 1, 1999 was 108. The School District employed 8 certificated employees and 4 non-certificated employees.

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

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

With regard to financial management, according to the reorganization agreement, the Union County School Corporation is the "administering" district. The administering district is the district delegated the responsibility to maintain the books and records, issue contracts, and perform day-to-day operations. The College Corner Local School District makes payments to the Union County School Corporation. However, the College Corner Local School District also keeps a record of just their transactions in its' computer system maintained by the Southwestern Ohio Computer Association.

Management believes the financial statements included in this report represent all of the funds for which the School District is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the School District chooses to prepare its financial statements on a basis of accounting other than in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

**A. Basis of Presentation - Fund Accounting**

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Fund Types:**

**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 by law or contract to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio

**Special Revenue Funds**

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

**Capital Projects Funds**

The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**Fiduciary Fund Types**

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. This includes expendable trust funds.

**B. BUDGETARY PROCESS**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1999, unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**4. Encumbrances**

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**C. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. 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.

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligation, 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. 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits:**

For the year ended June 30, 2000, the carrying amount of the School District's deposits was \$18,524 and the bank balance was \$49,171. The School District has \$150 cash on hand. Of the bank balance, \$49,171 was covered by federal depository insurance.

For the year ended June 30, 1999, the carrying amount of the School District's deposits was \$1,407,229 and the bank balance was \$1,413,174. The School District has \$150 cash on hand. Of the bank balance, \$250,000 was covered by federal depository insurance, \$1,000,000 was covered by pooled collateral, and \$163,174 was uninsured and uncollateralized. Non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:**

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in Star Ohio, an investment pool operated by the Ohio State Treasurer, a non-categorized investment since it is not evidenced by securities that exist in physical book entry form.

The District's investment at June 30, 2000 was as follows:

	<u>Uncategorized</u>	<u>Fair Value</u>
StarOhio	<u>\$1,871,611</u>	<u>\$1,871,611</u>
Total	<u>\$1,871,611</u>	<u>\$1,871,611</u>

The District did not have any investments at June 30, 1999.

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**4. PROPERTY TAX**

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last appraisal was completed for tax year 1999.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established. The state automatically allows 30 days for extension and the County Treasurer may request additional 30 days.

The full tax rate applied to real property for the fiscal years ended June 30, 2000, was \$32.10 per \$1,000 of assessed valuation. After adjustment of the rate of inflationary increases in property values, the effective tax rate was \$24.72 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$25.78 per \$1,000 of assessed valuation for all other real property.

The full tax rate applied to real property for the fiscal years ended June 30, 1999, was \$32.10 per \$1,000 of assessed valuation. After adjustment of the rate of inflationary increases in property values, the effective tax rate was \$25.77 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$25.75 per \$1,000 of assessed valuation for all other real property.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2000 and 1999, was \$32.10 per \$1,000 of assessed valuation.

	<u>2000</u>	<u>1999</u>
Real Property Valuation		
Residential/Agricultural	\$462,040	\$462,130
Commercial/Industrial	6,503,320	5,363,360
Public Utilities	5,610	6,210
Tangible Personal Property Valuation		
General	221,408	208,705
Public Utilities	<u>766,950</u>	<u>714,100</u>
Total Valuation	<u>\$7,959,328</u>	<u>\$6,754,505</u>

The School District receives property taxes from Butler and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**5. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000 and 1999, the School District contracted with Nationwide Ohio Educational Liability Insurance for education liability coverage.

**6. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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. 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, 2000, 1999, and 1998 were \$8,336, \$9,744 and \$923, respectively.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal years ended June 30, 2000 and 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$31,851, \$43,800 and \$6,850, respectively.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**6. DEFINED BENEFIT PENSION PLANS (Continued)**

and 1999, one member of the Board of Education had elected social security. The Board's liability is 6.2 percent of wages paid.

**7. POST-EMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients..

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. 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 2000, the minimum pay was established at \$12,400.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.



**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**8. JOINTLY GOVERNED ORGANIZATIONS**

**Southwest Ohio Computer Association** - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties and Cities of Eaton, Edgewood, Fairfield, Franklin, Hamilton, Lebanon, Loveland, Mason, Middletown, Oxford, and Springboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District, during fiscal year 2000 and 1999, paid SWOCA \$5,873 and \$3,464, respectively, for services provided. Financial information can be obtained from K. Michael Crumley, who serves as director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

**9. STATUTORY RESERVES**

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 year end 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. The School District is also required to set aside money for budget stabilization. The following information describes the change in the year-end set-aside amounts for textbooks, capital maintenance and budget stabilization during the fiscal years ended June 30, 2000 and 1999. Disclosure of this information is required by State statute.

<u>Fiscal Year 2000</u>	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance June 30, 1999	\$0	\$(34,567)	\$4,969	\$(29,598)
Current Year Set-Aside Requirement	15,556	15,556	5,185	36,297
Designation Not Required by Law	7,395	8,125	0	15,520
Current Year Offset	0	(35,213)	0	(35,213)
Qualifying Disbursements	<u>(2,875)</u>	<u>0</u>	<u>0</u>	<u>(2,875)</u>
Total	<u>\$20,076</u>	<u>\$(46,099)</u>	<u>\$10,154</u>	
Set-aside Reserve Balance Carried Forward to FY 2001	<u>\$12,681</u>	<u>\$(46,099)</u>	<u>\$10,154</u>	
Total Restricted General Fund Balance As of June 30, 2000				<u>\$22,835</u>

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**9. STATUTORY RESERVES (Continued)**

<u>Fiscal Year 1999</u>	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Cash Balance June 30, 1998	\$0	\$0	\$0	\$0
Current Year Set-Aside Requirement	9,938	9,938	4,969	24,845
Designation Not Required by Law	2,483	2,483	0	4,966
Current Year Offset	(1,891)	(37,353)	0	(39,244)
Qualifying Disbursements	<u>(12,421)</u>	<u>(9,635)</u>	<u>0</u>	<u>(20,056)</u>
Total	<u>\$(1,891)</u>	<u>\$(34,567)</u>	<u>\$4,969</u>	
Set-aside Reserve Balance Carried Forward to FY 2000	<u>\$ 0</u>	<u>\$(34,567)</u>	<u>\$4,969</u>	
Total Restricted General Fund Balance As of June 30, 1999				<u>\$4,969</u>

The School District had offsets and qualifying disbursements during fiscal year 2000 and 1999 that reduced the set-aside amounts for textbooks and capital maintenance to below zero. The extra amount for the textbook set-aside in fiscal year 1999 may not be used to reduce the set-aside requirement of future years; however, the extra amount for the textbook set-aside in fiscal 2000 may be used to reduce the set-aside requirements of future years for textbooks. The extra amount for the capital maintenance reserve set-aside in fiscal 1999 and 2000 may be used to reduce the set-aside requirement of future years.

**10. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**11. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000 and 1999, the School District received \$487,980 and \$428,516, respectively, of school foundation support for its general fund.

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**11. STATE SCHOOL FUNDING DECISION (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**12. NONCOMPLIANCE**

The School District had the following instances of material noncompliance during the audit period:

- Preparation of financial statements on a Cash rather than GAAP basis; and
- Inadequate collateral coverage for all bank deposits.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

College Corner Local School District  
Preble County  
101 East Main Street  
Eaton, Ohio 45320

To the Board of Education:

We have audited the financial statements of College Corner Local School District, Preble County, Ohio (the District), as of and for the fiscal years ended June 30, 2000 and 1999, and have issued our report thereon dated January 26, 2001, which was modified because the District prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10368-001 and 2000-10368-002.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 26, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

College Corner Local School District  
Preble County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

This report is intended for the information and use of the administration, Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

January 26, 2001

COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2000 and 1999

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

**FINDING 2000-10368-001**

**Noncompliance - Basis of Accounting for Financial Reporting**

Ohio Administrative Code, Section 117-2-01, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**FINDING 2000-10368-002**

**Noncompliance - Security for Repayment of Public Deposits**

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

During the audit period, there were several months in which the amount on deposit in Farmer's State Bank was more than the \$100,000 which is covered under FDIC. In addition, during the audit period, the amount on deposit at Fifth Third Bank was more than the \$100,000 which is covered under FDIC and exceeded the \$1,000,000 of pooled collateral provided by Fifth Third by \$150,000. As of June 30, 1999, a total of \$163,174 of the District's deposits were uninsured or uncollateralized. This problem was corrected in fiscal year 2000.

This condition could result in a loss of District funds if the financial institution were to fail.

We recommend that the District request and retain collateral statements from all banks on a quarterly basis to ensure that all deposits are adequately secured.

**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

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>
1998-10368-001	Citation per Ohio Rev. Code, Section 3310.201, for liability insurance	Yes	





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**COLLEGE CORNER LOCAL SCHOOL DISTRICT**

**PREBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 20, 2001**