



**Auditor of State  
Betty Montgomery**



**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

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PREBLE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

College Corner Local School District  
Preble County  
597 Hillcrest Drive  
Eaton, Ohio 45320

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of College Corner Local School District, Preble County, Ohio (the District), as of and for the years ended June 30, 2004 and 2003, 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 *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of College Corner Local School District, Preble County, Ohio, as of June 30, 2004 and 2003, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund for both 2004 and 2003, and Title VI-B Fund and Title I Fund for 2004 thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 in the 2003 Notes to the Basic Financial Statements, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2005, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 16, 2005

College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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The discussion and analysis of College Corner Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2004 are as follows:

In total, net assets increased \$259,948, which represents a 8 percent increase from 2003.

General revenues accounted for \$866,909 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions and interest, accounted for \$207,795 or 19 percent of total revenues of \$1,074,704.

Total assets of governmental activities increased by \$239,691 as cash and cash equivalents decreased by \$957,704, receivables decreased by \$32,921 and capital assets increased by \$1,226,209.

The School District had \$814,756 in expenses; only \$207,795 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) were \$866,909 which were adequate to provide for these programs.

Among major funds, the General Fund had \$988,909 in revenues and \$792,826 in expenditures. The General Fund's balance decreased \$408,413 over 2003.

### **Using the Basic Financial Statements**

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

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

## **Reporting the School District as a Whole**

### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of 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 changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District only reports governmental activities. Governmental activities include instruction, support services, operation and maintenance of plant and operation of non-instructional services. The School District does not have any business-type activities.

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

### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Title VI-B Special Revenue Fund, the Title I Special Revenue Fund, the Permanent Improvement Capital Projects Fund, and the College Corner/Union County Building Project Capital Projects Fund.

### *Governmental Funds*

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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 differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

Table 1		
Net Assets		
	2003	2004
<b>Assets</b>		
Current and Other Assets	\$2,790,406	\$1,803,888
Capital Assets	616,833	1,843,042
Total Assets	3,407,239	3,646,930
<b>Liabilities</b>		
	231,188	210,931
<b>Net Assets</b>		
Invested in Capital Assets	616,833	1,843,042
Restricted	1,495,278	941,102
Unrestricted	1,063,940	651,855
Total Net Assets	\$3,176,051	\$3,435,999

Total assets of governmental activities increased by \$239,691, as cash and cash equivalents decreased by \$957,704, receivables decreased by \$32,921, and capital assets increased by \$1,226,209. Capital assets increased due to the building project. The School District is renovating and adding onto the existing College Corner elementary building. The work done on this project prior to year-end is shown as construction in progress. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements decreased by \$412,085. This decrease is largely due to the General Fund transferring money to the College Corner/Union County Building Project Capital Projects Fund.

Table 2 shows the changes in net assets for fiscal year 2004.

College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

Table 2  
Changes in Net Assets

	2003	2004
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$75,180	\$162,068
Operating Grants, Contributions and Interest	35,352	45,727
Capital Grants and Contributions	11,500	0
Total Program Revenues	122,032	207,795
General Revenues:		
Property Taxes Levied for General Purposes	194,814	195,872
Grants and Entitlements not Restricted to Specific Programs	586,190	537,606
Investment Earnings	33,781	14,555
Miscellaneous	92,501	118,876
Total General Revenues	907,286	866,909
Total Revenues	1,029,318	1,074,704
<b>Program Expenses</b>		
Instruction:		
Regular	517,388	641,863
Special	12,223	0
Support Services:		
Instructional Staff	29,070	23,148
Board of Education	38,352	40,536
Administration	57,736	69,229
Fiscal	16,090	15,216
Operation and Maintenance of Plant	22,301	24,764
Operation of Non-Instructional Services	125	0
Total Expenses	693,285	814,756
Increase in Net Assets	\$336,033	\$259,948

The increase in program revenues for charges for services is due to the increase in tuition and fees. The increase in program expenses regular instruction is due to the increased spending by the School District on supplies and other miscellaneous items.

**Governmental Activities**

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 18 percent of revenues for governmental activities for the College Corner Local School District for fiscal year 2004.

Instruction comprises 79 percent of District expenses. Support services expenses make up 21 percent of the expenses.

College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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

Table 3

	Total Cost of Services 2003	Net Cost of Services 2003	Total Cost of Services 2004	Net Cost of Services 2004
Instruction:				
Regular	\$517,388	\$358,104	\$641,863	\$452,285
Special	12,223	6,689	0	0
Support Services:				
Instructional Staff	29,070	914	23,148	9,931
Board of Education	38,352	38,352	40,536	40,536
Administration	57,736	50,058	69,229	64,229
Fiscal	16,090	16,090	15,216	15,216
Operation and Maintenance of Plant	22,301	9,702	24,764	24,764
Operation of Non-Instructional Services	125	125	0	0
Total Expenses	<u>\$693,285</u>	<u>\$480,034</u>	<u>\$814,756</u>	<u>\$606,961</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Instructional staff includes the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, and fiscal includes expenses associated with administrative and financial supervision of the District.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Operation of non-instructional services includes expenses for the parent involvement portion of the Title I program.

The dependence upon grants and entitlements is apparent. Over 70 percent of instruction activities are supported through grants and entitlements and other general revenues; for all activities general revenue support is 74 percent.

College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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**The School District's Funds**

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$1,067,252 and expenditures of \$2,039,972. The net change in fund balance for the year was significant in the General Fund which had a decrease of \$408,413. This decrease was largely due to the General Fund transferring money to the College Corner/Union County Building Project Capital Projects Fund. The \$622,273 decrease in fund balance in the College Corner/Union County Building Project Capital Projects Fund was also significant. This decrease is due to the ongoing construction of the College Corner/Union County Building Project.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2004 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 19, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, original budget basis revenue was \$1,099,283 with final budget basis revenue estimates of \$1,004,582. The difference of \$94,701 was due primarily to a conservative estimate in estimated resources. Original budget basis expenditures were \$946,631 with final budget basis appropriations of \$972,305. The difference of \$25,674 was due primarily to a conservative estimate in appropriations.

The School District's ending unobligated cash balance was \$591,621 above the final budgeted amount.

**Capital Assets**

At the end of the fiscal year 2004, the School District had \$1,843,042 invested in land, buildings and improvements, furniture and equipment, and construction in progress.

Table 4 shows fiscal 2004 balances compared to 2003.

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

	<u>2003</u>	<u>2004</u>
Land	\$2,000	\$2,000
Furniture and Equipment	3,417	2,857
Construction in Progress	611,416	1,838,185
Totals	<u>\$616,833</u>	<u>\$1,843,042</u>

College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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Overall capital assets increased \$1,226,209 from fiscal year 2003 to fiscal year 2004. The College Corner Local School District currently has approximately a \$5,400,000 building project in operation of which about \$2,700,000 is the obligation of the College Corner Local School District. The building project is a fifty-fifty split with Union County School Corporation. The building project is administered through Union County School Corporation, who pays the contractors and the College Corner Local School District pays their share to Union County School Corporation. College Corner Local and Union County Schools have an agreement which outlines College Corner's obligation and the schedule of payments to Union County. College Corner is funding its share of the project through monies accumulated in past years in the General Fund. The construction in progress amount reflects College Corner's share of the work done as of fiscal year-end on this project.

For more information on capital assets, see Note 8 of the Basic Financial Statements.

### **Current Financial Issues and Concerns**

College Corner Local School District has been saving money towards the \$2,700,000 building renovation project currently in progress and was able to finance their share with General Fund money so no debt was issued to finance the project. Even with this expenditure, the School District has sufficient funds to maintain current expenses and is in a secure financial position at this time.

In comparison to other school districts in the State, the School District is not suffering with low wealth. College Corner is currently identified as a district receiving parity aid State dollars. These dollars are helping this small district with expenses.

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

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Terri Freeman, Treasurer, at College Corner Local School District, 230 Ramsey Street, P.O. Box 337, College Corner, Ohio 45003 or email at pbbo\_tf@swoca.net.

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College Corner Local School District  
Statement of Net Assets  
June 30, 2004

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$1,076,440
Intergovernmental Receivable	58,634
Prepaid Items	6,199
Property Taxes Receivable	200,800
Cash and Cash Equivalents With Fiscal Agents	461,815
Depreciable Capital Assets, Net	2,857
Land	2,000
Construction in Progress	1,838,185
Total Assets	3,646,930
Liabilities:	
Accounts Payable	4,291
Intergovernmental Payable	20,864
Deferred Revenue	185,776
Total Liabilities	210,931
Net Assets:	
Invested in Capital Assets	1,843,042
Restricted for:	
Capital Projects	848,888
Other Purposes	46,064
Set-Asides	46,150
Unrestricted	651,855
Total Net Assets	\$3,435,999

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Total Governmental Activities
Governmental Activities			
Instruction:			
Regular	\$641,863	\$162,068	\$27,510
Support Services:			(\$452,285)
Instructional Staff	23,148	0	13,217
Board of Education	40,536	0	0
Administration	69,229	0	5,000
Fiscal	15,216	0	0
Operation and Maintenance of Plant	24,764	0	0
Total Governmental Activities	\$814,756	\$162,068	\$45,727
	General Revenues:		
	Property Taxes Levied for:		
			160,159
			35,713
	Grants and Entitlements not Restricted to		
			537,606
			14,555
			118,876
			866,909
			259,948
			3,176,051
			\$3,435,999

See Accompanying Notes to the Basic Financial Statements



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College Corner Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2004

	General	Title VI-B	Title I	Permanent Improvement
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$561,327	\$24,998	\$21,576	\$79,288
Receivables:				
Property Taxes	164,237	0	0	36,563
Intergovernmental	24,377	12,776	9,484	0
Interfund	68,097	0	0	0
Prepaid Items	6,199	0	0	0
Cash and Cash Equivalents				
With Fiscal Agents	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	48,292	0	0	0
Total Assets	<u>\$872,529</u>	<u>\$37,774</u>	<u>\$31,060</u>	<u>\$115,851</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$1,677	\$2,121	\$0	\$0
Intergovernmental Payable	15,624	0	0	0
Interfund Payable	0	22,867	26,387	0
Deferred Revenue	174,242	12,776	9,484	35,258
Total Liabilities	<u>191,543</u>	<u>37,764</u>	<u>35,871</u>	<u>35,258</u>
Fund Balances				
Reserved for Encumbrances	15,302	12,212	11,566	73,355
Reserved for Property Taxes	5,883	0	0	1,305
Reserved for Budget Stabilization	20,846	0	0	0
Reserved for Textbooks and Instructional Materials	25,304	0	0	0
Unreserved, Undesignated (Deficit), Reported in:				
General Fund	613,651	0	0	0
Special Revenue Funds	0	(12,202)	(16,377)	0
Capital Projects Funds	0	0	0	5,933
Total Fund Balances	<u>680,986</u>	<u>10</u>	<u>(4,811)</u>	<u>80,593</u>
Total Liabilities and Fund Balances	<u>\$872,529</u>	<u>\$37,774</u>	<u>\$31,060</u>	<u>\$115,851</u>

See Accompanying Notes to the Basic Financial Statements

College Corner/ Union County Building Project	Other Governmental Funds	Total Governmental Funds
\$304,496	\$36,463	\$1,028,148
0	0	200,800
0	11,997	58,634
0	0	68,097
0	0	6,199
461,815	0	461,815
0	0	48,292
<u>\$766,311</u>	<u>\$48,460</u>	<u>\$1,871,985</u>
\$0	\$493	\$4,291
0	28	15,652
0	18,843	68,097
0	11,997	243,757
<u>0</u>	<u>31,361</u>	<u>331,797</u>
304,496	10,507	427,438
0	0	7,188
0	0	20,846
0	0	25,304
0	0	613,651
0	6,101	(22,478)
461,815	491	468,239
<u>766,311</u>	<u>17,099</u>	<u>1,540,188</u>
<u>\$766,311</u>	<u>\$48,460</u>	<u>\$1,871,985</u>

College Corner Local School District  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004

Total Governmental Fund Balance \$1,540,188

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. These assets  
 consist of:

Land	2,000	
Building and Improvements	19,438	
Furniture and Equipment	4,483	
Construction in Progress	1,838,185	
Accumulated Depreciation	(21,064)	
Total Capital Assets		1,843,042

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

Property Taxes Receivable	7,836	
Intergovernmental Receivable	50,145	
		57,981

Some liabilities are not due and payable in the current period  
 and therefore are not reported in the funds. Those  
 liabilities consist of:

Intergovernmental Payable		(5,212)

Net assets of Governmental Activities \$3,435,999

See Accompanying Notes to the Basic Financial Statements

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College Corner Local School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	General	Title VI-B	Title I	Permanent Improvement
<b>Revenues:</b>				
Property Taxes	\$159,669	\$0	\$0	\$35,613
Tuition and Fees	95,068	0	0	0
Interest	14,555	0	0	0
Intergovernmental	533,289	13,558	12,092	4,317
Rent	67,000	0	0	0
Miscellaneous	119,328	0	0	0
<b>Total Revenues</b>	<b>988,909</b>	<b>13,558</b>	<b>12,092</b>	<b>39,930</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	625,130	2,684	0	0
<b>Support Services:</b>				
Instructional Staff	22,188	0	0	0
Board of Education	40,803	0	0	0
Administration	66,076	0	0	0
Fiscal	14,165	0	0	753
Operation and Maintenance of Plant	24,464	0	0	0
Capital Outlay	0	0	0	0
<b>Total Expenditures</b>	<b>792,826</b>	<b>2,684</b>	<b>0</b>	<b>753</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>196,083</b>	<b>10,874</b>	<b>12,092</b>	<b>39,177</b>
<b>Other Financing Sources (Uses):</b>				
Transfers - In	0	0	0	0
Transfers - Out	(604,496)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(604,496)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>(408,413)</b>	<b>10,874</b>	<b>12,092</b>	<b>39,177</b>
<b>Fund Balances (Deficits) at Beginning of Year</b>	<b>1,089,399</b>	<b>(10,864)</b>	<b>(16,903)</b>	<b>41,416</b>
<b>Fund Balances (Deficits) at End of Year</b>	<b>\$680,986</b>	<b>\$10</b>	<b>(\$4,811)</b>	<b>\$80,593</b>

See Accompanying Notes to the Basic Financial Statements

College Corner/ Union County Building Project	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$195,282
0	0	95,068
0	0	14,555
0	12,763	576,019
0	0	67,000
0	0	119,328
0	12,763	1,067,252
0	14,049	641,863
0	0	22,188
0	0	40,803
0	2,891	68,967
0	0	14,918
0	0	24,464
1,226,769	0	1,226,769
1,226,769	16,940	2,039,972
(1,226,769)	(4,177)	(972,720)
604,496	0	604,496
0	0	(604,496)
604,496	0	0
(622,273)	(4,177)	(972,720)
1,388,584	21,276	2,512,908
\$766,311	\$17,099	\$1,540,188

College Corner 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, 2004

Net Change in Fund Balances - Total Governmental Funds (\$972,720)

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

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

Capital Outlay	1,226,769	
Depreciation Expense	(560)	
Excess of Capital Outlay over Depreciation Expense		1,226,209

Some revenues that will not be collected for several months after the School District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred revenue changed by these amounts this year:

Property Taxes	590	
Intergovernmental Grants	7,314	
Miscellaneous	(452)	
		7,452

Some items 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. These activities consist of:

Increase in Intergovernmental Payable		(993)

Change in Net Assets of Governmental Activities \$259,948

See Accompanying Notes to the Basic Financial Statements



College Corner Local School District  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$315,450	\$160,673	\$160,673	\$0
Tuition and Fees	25,000	94,774	94,774	0
Interest	25,000	15,592	15,592	0
Intergovernmental	530,000	533,289	533,289	0
Rent	67,000	67,000	67,000	0
Miscellaneous	136,833	133,254	133,254	0
Total Revenues	<u>1,099,283</u>	<u>1,004,582</u>	<u>1,004,582</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	669,664	669,664	622,493	47,171
Support Services:				
Instructional Staff	109,755	125,574	31,486	94,088
Board of Education	48,040	54,642	52,692	1,950
Administration	73,660	76,869	66,774	10,095
Fiscal	15,500	15,544	14,918	626
Operation and Maintenance of Plant	30,012	30,012	24,005	6,007
Total Expenditures	<u>946,631</u>	<u>972,305</u>	<u>812,368</u>	<u>159,937</u>
Excess of Revenues Over Expenditures	<u>152,652</u>	<u>32,277</u>	<u>192,214</u>	<u>159,937</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	5,000	2,009	2,009	0
Advances - In	32,000	0	0	0
Advances - Out	0	(31,497)	(31,497)	0
Transfers - Out	(1,200,915)	(1,014,052)	(604,496)	409,556
Other Financing Uses	(22,128)	(22,128)	0	22,128
Total Other Financing Sources (Uses)	<u>(1,186,043)</u>	<u>(1,065,668)</u>	<u>(633,984)</u>	<u>431,684</u>
Net Change in Fund Balances	(1,033,391)	(1,033,391)	(441,770)	591,621
Fund Balances at Beginning of Year	1,007,935	1,007,935	1,007,935	0
Prior Year Encumbrances Appropriated	25,456	25,456	25,456	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$591,621</u>	<u>\$591,621</u>

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Title VI-B  
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$0	\$13,558	\$13,558	\$0
Expenditures:				
Current:				
Instruction:				
Regular	0	3,975	3,975	0
Support Services:				
Instructional Staff	0	12,685	1,931	10,754
Central	0	9,011	9,011	0
Total Expenditures	<u>0</u>	<u>25,671</u>	<u>14,917</u>	<u>10,754</u>
Excess of Revenues Under Expenditures	0	(12,113)	(1,359)	10,754
Other Financing Sources:				
Advances - In	<u>0</u>	<u>12,113</u>	<u>12,113</u>	<u>0</u>
Net Change in Fund Balances	0	0	10,754	10,754
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$10,754</u></u>	<u><u>\$10,754</u></u>

See Accompanying Notes to the Basic Financial Statements

College Corner Local School District  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Title I  
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$0	\$12,092	\$12,092	\$0
Expenditures:				
Current:				
Instruction:				
Special	0	21,076	11,067	10,009
Operation of Non-Instructional Services	0	500	500	0
Total Expenditures	0	21,576	11,567	10,009
Excess of Revenues Over (Under) Expenditures	0	(9,484)	525	10,009
Other Financing Sources:				
Advances - In	0	9,484	9,484	0
Net Change in Fund Balances	0	0	10,009	10,009
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances at End of Year	\$0	\$0	\$10,009	\$10,009

See Accompanying Notes to the Basic Financial Statements

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

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

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

*Reporting Entity:*

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY** (continued)

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

The School District participates in one jointly governed organization, the Southwest Ohio Computer Association (Note 13).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation**

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

*Government-wide Financial Statements:*

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

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 certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

*Governmental Funds:*

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 are the School District's major governmental funds:

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

*Title VI-B Fund* – The Title VI-B Special Revenue Fund is used to account for programs to assist schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels.

*Title I Fund* – The Title I Special Revenue Fund is used to account for financial assistance provided to State and Local educational agencies to meet the special needs of educationally deprived children.

*Permanent Improvement Fund* - The Permanent Improvement Capital Projects Fund accounts for the acquisition, construction, or improvement of capital facilities.

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

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

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

**C. Measurement Focus**

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (e.g., revenues) and decreases (e.g., 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.

**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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Non-exchange Transactions:*

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

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, property taxes are recognized in the fiscal year for which the taxes are levied (See Note 6). 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.



College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

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, miscellaneous revenue from retirement reimbursements and grants.

*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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements from other school districts 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:*

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

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

**E. Cash and Cash Equivalents**

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

The School District has made payments to the Union County School District for the building project. The balance of the unspent money on deposit with the Union County School District is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents," and represents deposits.

During fiscal year 2004, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$14,555, which includes \$7,980 assigned from other funds.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

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

**F. Interfund Assets/Liabilities**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables” and “interfund payables.” These amounts are eliminated in the governmental activities column of the statement of net assets.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside for budget stabilization and the purchase of textbooks and other instructional materials.

**I. Capital Assets and Depreciation**

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

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

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

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

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

**J. Accrued Liabilities and Long-Term Obligations**

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

In general, 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 governmental funds. However, 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 in the current fiscal year.

**K. Interfund Transactions**

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

**L. Fund Balance Reserves**

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

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. 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 are federal and state grants restricted to expenditures for specified purposes.

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

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

**N. Estimates**

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

**O. Budgetary Process**

All 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 object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**NOTE 3 – ACCOUNTABILITY**

The Title I and the Preschool Handicapped Special Revenue Funds had deficit fund balances at June 30, 2004, of \$4,811 and \$395, respectively. The General Fund is liable for any deficits in these funds and will provide operating transfers when cash is required, not when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and the Tile VI-B and Title I Special Revenue Funds are 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).

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statements.

	<u>Net Change in Fund Balance</u>		
	<u>General</u>	<u>Title VI-B</u>	<u>Title I</u>
GAAP Basis	(\$408,413)	\$10,874	\$12,092
Net Adjustment for Revenue Accruals	14,894	0	0
Net Adjustment for Expenditure Accruals	(2,563)	2,011	0
Unrecorded Cash FY 2003	3,807	0	0
Unrecorded Cash FY 2004	(1,019)	0	0
Advances	(31,497)	12,113	9,484
Adjustment for Encumbrances	<u>(16,979)</u>	<u>(14,244)</u>	<u>(11,567)</u>
Budget Basis	<u><u>(\$441,770)</u></u>	<u><u>\$10,754</u></u>	<u><u>\$10,009</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 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 accounts including, but not limited to, passbook accounts.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Protection of the 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 are 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 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 bankers' acceptances 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 rating 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 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.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

*Cash on Hand:*

At fiscal year-end, the School District had \$150 in undeposited cash on hand which is included on the financial statements 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."

At June 30, 2004, the School District had "Cash and Cash Equivalents with Fiscal Agents" in the College Corner/Union County Building Project Fund of \$461,815. This money represents the School District's share of the building project that has not yet been expended. The money is held by the Union County School Corporation, the administrator of the project. Since the money is commingled at the Union County School Corporation, it cannot be classified by risk under GASB Statement No. 3. The classification of cash and cash equivalents for the Union County School Corporation as a whole can be obtained by writing Marsha Maze, Treasurer of the Union County School Corporation, 107 Layman Street, Liberty, IN 47353.

*Deposits:*

At fiscal year-end, the carrying amount of the School District's deposits was \$74,484 and the bank balance was \$77,685. The entire bank balance was covered by the federal depository insurance at June 30, 2004. During fiscal year 2004, for three out of twelve months, deposits exceeded FDIC coverage of \$100,000. The amounts in excess of FDIC coverage ranged from \$19,061 to \$113,741.

*Investments:*

The School District's investments are required to be categorized 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 which 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. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The carrying/fair value invested in STAROhio at June 30, 2004, was \$1,001,806.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,538,255	\$0
Cash on Hand	(150)	0
Cash Held by the Union County School Corporation	(461,815)	
Investments:		
STAROhio	(1,001,806)	1,001,806
GASB Statement No. 3	\$74,484	\$1,001,806

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 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.



College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 6 - PROPERTY TAXES** (continued)

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Butler and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$5,883 in the General Fund, and \$1,305 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2003, was \$6,799 in the General Fund and \$1,465 in the Permanent Improvement Fund. On a full accrual basis, collectable property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$7,832,690	89.81%	\$8,074,590	89.01%
Public Utility	705,940	8.09%	761,280	8.40%
Tangible Personal Property	183,086	2.10%	235,372	2.59%
Total	<u>\$8,721,716</u>	<u>100.00%</u>	<u>\$9,071,242</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$32.10		\$32.10	

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004, consisted of property taxes, intergovernmental grants, and interfund. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	<u>Amounts</u>
General Fund	\$24,377
Title VI-B Grant	12,776
Title I Grant	9,484
Title VI Grant	542
Drug Free Grant	1,035
Preschool Handicapped Grant	449
Title II-A Grant	9,381
Title II-D Grant	590
Total Intergovernmental Receivables	<u><u>\$58,634</u></u>

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance</u> <u>6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/04</u>
<b>Governmental Activities</b>				
Capital Assets, not Being Depreciated:				
Land	\$2,000	\$0	\$0	\$2,000
Construction in Progress	611,416	1,226,769	0	1,838,185
Total Capital Assets, not Being Depreciated	<u>613,416</u>	<u>1,226,769</u>	<u>0</u>	<u>1,840,185</u>
Capital Assets, Being Depreciated:				
Building and Improvements	19,438	0	0	19,438
Furniture and Equipment	4,483	0	0	4,483
Total Capital Assets, Being Depreciated	<u>23,921</u>	<u>0</u>	<u>0</u>	<u>23,921</u>
Less Accumulated Depreciation:				
Building and Improvements	(19,438)	0	0	(19,438)
Furniture and Equipment	(1,066)	(560)	0	(1,626)
Total Accumulated Depreciation	<u>(20,504)</u>	<u>(560) *</u>	<u>0</u>	<u>(21,064)</u>
Capital Assets, Being Depreciated, Net	<u>3,417</u>	<u>(560)</u>	<u>0</u>	<u>2,857</u>
Governmental Activities Capital Assets, Net	<u><u>\$616,833</u></u>	<u><u>\$1,226,209</u></u>	<u><u>\$0</u></u>	<u><u>\$1,843,042</u></u>

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 8 - CAPITAL ASSETS** (continued)

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

Support Services:	
Administration	\$262
Fiscal	298
Total Depreciation Expense	\$560

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Indiana Insurance for general liability, sexual misconduct and molestation liability, and school leaders errors and omissions liability.

Coverage provided by Indiana Insurance Company is as follows:

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

Settled claims have not exceeded this commercial coverage in the past three fiscal years. The aggregate limit coverage for school leaders errors and omissions liability decreased by \$1,000,000 from 2003.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$8,348, \$7,930, and \$11,772, respectively; 51.19 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

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

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

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

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, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$56,405, \$60,495, and \$37,416, respectively; 81.52 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, one member of the Board of Education elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$4,339 for fiscal year 2004.

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$5,537.

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

**NOTE 12 - INTERFUND ASSETS/LIABILITIES**

The General Fund had interfund receivables in the amount of \$68,097. The Title VI-B Fund had an interfund payable in the amount of \$22,867, the Title I Fund had an interfund payable in the amount of \$26,387 and the nonmajor funds had interfund payables in the amount of \$18,843 at June 30, 2004.

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Restricted monies are used to reimburse the General Fund for advancing monies to other funds due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund reimburses the General Fund for the initial advance.

The General Fund had transfers-out to the College Corner/Union County Building Project Capital Projects Fund of \$604,496. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

**NOTE 13 - JOINTLY GOVERNED ORGANIZATION**

**Southwest Ohio Computer Association**

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$7,306 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 14 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based upon legislative changes, this is the only money still required to be set-aside for this purpose.

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

	<u>Budget Stabilization</u>	<u>Textbooks and Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of			
June 30, 2003	\$20,846	\$22,587	\$0
Current Year Set-aside Requirement	0	18,262	18,262
Qualifying Disbursements	0	(15,545)	(2,113)
Current Year Offsets	<u>0</u>	<u>0</u>	<u>(35,791)</u>
Set-aside Balance Carried Forward to			
Future Fiscal Years	<u>\$20,846</u>	<u>\$25,304</u>	<u>\$0</u>
Set-aside Reserve Balance as of			
June 30, 2004	<u>\$20,846</u>	<u>\$25,304</u>	<u>\$0</u>

The total reserve balance for the set-asides at the end of the fiscal year was \$46,150.

**NOTE 15 - CONTINGENCIES**

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, 2004.

**NOTE 16 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is 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..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003

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The discussion and analysis of College Corner Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2003 are as follows:

In total, net assets increased \$336,033, which represents a 12 percent increase from 2002.

General revenues accounted for \$816,067 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$213,251 or 21 percent of total revenues of \$1,029,318.

Total assets of governmental activities increased by \$348,419 as cash and cash equivalents decreased by \$266,781, receivables decreased by \$1,807 and capital assets increased by \$613,393.

The School District had \$693,285 in expenses; only \$213,251 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and entitlements) of \$816,067 were adequate to provide for these programs.

Among major funds, the General Fund had \$936,846 in revenues and \$664,627 in expenditures. The General Fund's balance increased \$272,219 over 2002.

### **Using the Basic Financial Statements**

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

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

## **Reporting the School District as a Whole**

### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of 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 changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance and operation of non-instructional services. The School District does not have any business-type activities.

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

### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 6. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the College Corner/Union County building project 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 fiscal year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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 differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

	2002	2003
<b>Assets</b>		
Current and Other Assets	\$3,032,737	\$2,767,763
Capital Assets	3,440	616,833
Total Assets	3,036,177	3,384,596
<b>Liabilities</b>		
Other Liabilities	196,159	208,545
<b>Net Assets</b>		
Invested in Capital Assets	3,440	616,833
Restricted	2,030,999	1,495,278
Unrestricted	805,579	1,063,940
Total Net Assets	\$2,840,018	\$3,176,051

Total assets of governmental activities increased by \$348,419, as cash and cash equivalents decreased by \$266,781, receivables decreased by \$1,807, and capital assets increased by \$613,393. Capital assets increased due to the building project. The School District is renovating and adding onto the existing College Corner elementary building. The work done on this project prior to year-end is shown as construction in progress. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District increased by \$258,361.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003

Table 2  
Changes in Net Assets

	2003
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$166,399
Operating Grants and Contributions	35,352
Capital Grants and Contributions	11,500
Total Program Revenues	213,251
General Revenues:	
Property Taxes	194,814
Grants and Entitlements	586,190
Investment Earnings	33,781
Miscellaneous	1,282
Total General Revenues	816,067
Total Revenues	1,029,318
<b>Program Expenses</b>	
Instruction:	
Regular	517,388
Special	12,223
Support Services:	
Instructional Staff	29,070
Board of Education	38,352
Administration	57,736
Fiscal	16,090
Operation and Maintenance of Plant	23,301
Operation of Non-Instructional Services	125
Total Expenses	693,285
Increase in Net Assets	\$336,033

**Governmental Activities**

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes and income taxes made up 19 percent of revenues for governmental activities for the Preble Shawnee Local School District for fiscal year 2003.

Instruction comprises 76 percent of School District expenses. Support services expenses make up 24 percent of the expenses.

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

College Corner Local School District  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2003

Comparisons to 2002 have not been made because the data is not available.

Table 3

	Total Cost of Services 2003	Net Cost of Services 2003
Instruction:		
Regular	\$517,388	(\$358,104)
Special	12,223	(6,689)
Support Services:		
Instructional Staff	29,070	(914)
Board of Education	38,352	(38,352)
Administration	57,736	(50,058)
Fiscal	16,090	(16,090)
Operation and Maintenance of Plant	22,301	(9,702)
Operation of Non-Instructional Services	125	(125)
Total Expenses	693,285	(\$480,034)

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, and fiscal includes expenses associated with administrative and financial supervision of the district.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Operation of non-instructional services includes expenditures for the parent involvement portion of the Title I program.

The dependence upon grants and entitlements is apparent. Over 69 percent of instruction activities are supported through grants and entitlements and other general revenues; for all activities general revenue support is 69 percent. State entitlement support is the primary support for the College Corner Local School District.

**The School District's Funds**

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$1,007,982 and expenditures of \$1,306,755. The net change in fund balance for the year was significant in the general fund which had an increase of \$272,219. The College Corner Local School District was fortunate to have a year in which they received revenue in excess of expenditures within this fund. The \$611,416 decrease in fund balance in the College Corner/Union County Building Project fund was also significant. The District is in the initial stages of a building project to make improvements and add an addition on to the College Corner elementary. The decrease in the balance in this fund during fiscal year 2003 was due to expenditures for the project.

College Corner Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2003

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**General Fund Budgeting Highlights**

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

During the course of the fiscal year 2003, the School District amended its general fund budget once.

For the general fund, the final budget basis revenue and estimate was \$942,838. The original budgeted estimate was \$803,500. Prior to fiscal year-end, the School District requested a new amended certificate that reflected actual revenue.

**Capital Assets**

At the end of the fiscal year 2003, the School District had \$616,833 invested in land, buildings and improvements, furniture and equipment, and construction in progress.

Table 4 shows fiscal 2003 balances compared to 2002.

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

	<u>2002</u>	<u>2003</u>
Land	\$2,000	\$2,000
Furniture and Equipment	1,440	3,416
Construction in Progress	0	611,417
Totals	<u>\$3,440</u>	<u>\$616,833</u>

Overall capital assets increased \$613,393 from fiscal year 2002 to fiscal year 2003. The College Corner Local School District currently has approximately a \$5,400,000 building project in operation of which about \$2,700,000 is the obligation of the College Corner Local School District. The building project is a fifty-fifty expenditure with Union County School Corporation. The building project is administered through Union County School Corporation, who pays the contractors and then College Corner pays their share to Union County School Corporation. College Corner Local and Union County Schools have an agreement which outlines College Corner's obligation and the schedule of payments to Union County. College Corner is funding its share of the project through monies accumulated in past years in the General Fund. The construction in progress amount reflects College Corner's share of the work done as of fiscal year-end on this project.

For more information on capital assets, see Note 9 of the Basic Financial Statements.

### **Current Financial Issues and Concerns**

College Corner Local School District has been saving money towards the \$2,700,000 building renovation project currently in progress and was able to finance their share with general funds so no debt was issued to finance the project. Even with this expenditure the School District will have sufficient funds to maintain current and future expenses and is in a secure financial position at this time.

School District personnel continue to make strides in the area of curriculum improvement and remediation. This strategy from the Success For All Program is an attempt to increase student performance and enhance curriculum instruction. Both goals will promote student learning.

In comparison to other school districts in the State, the School District is not suffering with low wealth. College Corner is currently identified as a district receiving parity aid state dollars. These dollars are helping this small district with district expenses.

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

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Terri Freeman, Treasurer at College Corner Local School District, 230 Ramsey Street, P.O. Box 337, College Corner, Ohio 45003 or email at pbbo\_tf@swoca.net.

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COLLEGE CORNER LOCAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2003

	GOVERNMENTAL ACTIVITIES
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,107,375
Accounts Receivable	2,009
Intergovernmental Receivable	65,698
Prepaid Items	2,092
Property Taxes Receivable	202,005
Cash and Cash Equivalents With Fiscal Agents	388,584
Depreciable Capital Assets, Net	3,417
Land	2,000
Construction in Progress	611,416
Total Assets	3,384,596
Liabilities:	
Accounts Payable	2,797
Accrued Wages	983
Intergovernmental Payable	18,270
Deferred Revenue	186,495
Total Liabilities	208,545
Net Assets:	
Invested in Capital Assets	616,833
Restricted for:	
Capital Projects	1,445,340
Other Purposes	6,505
Set-Asides	43,433
Unrestricted	1,063,940
Total Net Assets	\$3,176,051

See Accompanying Notes to the Basic Financial Statements

COLLEGE CORNER LOCAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Governmental Activities			
Instruction:			
Regular	\$517,388	\$147,446	\$338
Special	12,223	0	5,534
Support Services:			
Instructional Staff	29,070	3,676	24,480
Board of Education	38,352	0	0
Administration	57,736	2,678	5,000
Fiscal	16,090	0	0
Operation and Maintenance of Plant	22,301	12,599	0
Operation of Non-Instructional Services	125	0	0
Total Governmental Activities	<u>\$693,285</u>	<u>\$166,399</u>	<u>\$35,352</u>

General Revenues:  
 Property Taxes Levied for:  
   General Purposes  
 Grants and Entitlements not Restricted to  
   Specific Programs  
 Investment Earnings  
 Miscellaneous  
 Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Note 3

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

<u>PROGRAM REVENUES</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
\$11,500	(\$358,104)
0	(6,689)
0	(914)
0	(38,352)
0	(50,058)
0	(16,090)
0	(9,702)
0	(125)
<u>\$11,500</u>	<u>(\$480,034)</u>

194,814
586,190
33,781
1,282
<u>816,067</u>
336,033
2,840,018
<u>\$3,176,051</u>

COLLEGE CORNER LOCAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2003

	<u>GENERAL</u>	<u>COLLEGE CORNER/ UNION COUNTY BUILDING PROJECT</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$988,420	\$1,000,000	\$70,179	\$2,058,599
Receivables:				
Property Taxes	167,250	0	34,755	202,005
Accounts	2,009	0	0	2,009
Intergovernmental	38,755	0	26,943	65,698
Interfund	36,600	0	0	36,600
Prepaid Items	2,092	0	0	2,092
Cash and Cash Equivalents				
With Fiscal Agents	0	388,584	0	388,584
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	48,776	0	0	48,776
<b>Total Assets</b>	<b><u>\$1,283,902</u></b>	<b><u>\$1,388,584</u></b>	<b><u>\$131,877</u></b>	<b><u>\$2,804,363</u></b>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$2,797	\$0	\$0	\$2,797
Accrued Wages	983	0	0	983
Intergovernmental Payable	13,932	0	119	14,051
Interfund Payable	0	0	36,600	36,600
Deferred Revenue	176,791	0	60,233	237,024
<b>Total Liabilities</b>	<b><u>194,503</u></b>	<b><u>0</u></b>	<b><u>96,952</u></b>	<b><u>291,455</u></b>
Fund Balances				
Reserved for Encumbrances	23,573	0	1,368	24,941
Reserved for Property Taxes	6,799	0	1,465	8,264
Reserved for Budget Stabilization	20,846	0	0	20,846
Reserved for Textbooks and Instructional Materials	22,587	0	0	22,587
Unreserved, Undesignated, Reported in:				
General Fund	1,015,594	0	0	1,015,594
Special Revenue Funds	0	0	(21,806)	(21,806)
Capital Projects Funds	0	1,388,584	53,898	1,442,482
<b>Total Fund Balances</b>	<b><u>1,089,399</u></b>	<b><u>1,388,584</u></b>	<b><u>34,925</u></b>	<b><u>2,512,908</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$1,283,902</u></b>	<b><u>\$1,388,584</u></b>	<b><u>\$131,877</u></b>	<b><u>\$2,804,363</u></b>

See Accompanying Notes to the Basic Financial Statements

COLLEGE CORNER LOCAL SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2003

Total Governmental Fund Balances \$2,512,908

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. These assets  
consist of:

Land	2,000	
Building and Improvements	19,438	
Furniture and Equipment	4,483	
Construction in Progress	611,416	
Accumulated Depreciation	(20,504)	
Total Capital Assets		616,833

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

Property Taxes Receivable	7,246	
Intergovernmental Receivable	43,283	
		50,529

Intergovernmental payable includes contractually required pension  
contributions not expected to be paid with available financial  
resources and therefore not reported in the fund:

Intergovernmental Payable		(4,219)

Net assets of Governmental Activities \$3,176,051

See Accompanying Notes to the Basic Financial Statements

COLLEGE CORNER LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	GENERAL	COLLEGE CORNER/ UNION COUNTY BUILDING PROJECT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Property Taxes	\$158,742	\$0	\$36,294	\$195,036
Tuition and Fees	8,180	0	0	8,180
Interest	33,781	0	0	33,781
Intergovernmental	581,506	0	34,842	616,348
Rent	67,000	0	0	67,000
Miscellaneous	87,637	0	0	87,637
<b>Total Revenues</b>	<b>936,846</b>	<b>0</b>	<b>71,136</b>	<b>1,007,982</b>
Expenditures:				
Current:				
Instruction:				
Regular	515,764	0	2,249	518,013
Special	0	0	12,223	12,223
Support Services:				
Instructional Staff	14,207	0	14,467	28,674
Board of Education	38,029	0	0	38,029
Administration	59,910	0	832	60,742
Fiscal	15,012	0	816	15,828
Operation and Maintenance of Plant	21,705	0	0	21,705
Operation of Non-Instructional Services	0	0	125	125
Capital Outlay	0	611,416	0	611,416
<b>Total Expenditures</b>	<b>664,627</b>	<b>611,416</b>	<b>30,712</b>	<b>1,306,755</b>
<b>Net Change in Fund Balances</b>	<b>272,219</b>	<b>(611,416)</b>	<b>40,424</b>	<b>(298,773)</b>
Fund Balances at Beginning of Year				
Restated (Note 3)	817,180	2,000,000	(5,499)	2,811,681
<b>Fund Balances at End of Year</b>	<b>\$1,089,399</b>	<b>\$1,388,584</b>	<b>\$34,925</b>	<b>\$2,512,908</b>

See Accompanying Notes to the Basic Financial Statements

COLLEGE CORNER 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, 2003

Net Change in Fund Balances - Total Governmental Funds (\$298,773)

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

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

Capital Outlay	613,804	
Depreciation Expense	(411)	
	613,393	
Excess of Capital Outlay over Depreciation Expense		613,393

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased (decreased) by this amount this year.

Property Taxes	(222)	
Intergovernmental Grants and Reimbursements	21,558	
		21,336

Some items 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. These activities consist of:

Decrease in Intergovernmental Payable		77
		77

Change in Net Assets of Governmental Activities \$336,033

See Accompanying Notes to the Basic Financial Statements

COLLEGE CORNER LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Property Taxes	\$144,301	\$157,000	\$157,000	\$0
Tuition and Fees	13,457	8,474	8,474	0
Interest	46,582	36,221	36,221	0
Intergovernmental	564,160	568,828	568,828	0
Rent	0	67,000	67,000	0
Miscellaneous	35,000	105,315	105,315	0
Total Revenues	<u>803,500</u>	<u>942,838</u>	<u>942,838</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	393,609	591,990	521,601	70,389
Support Services:				
Instructional Staff	33,225	35,606	14,727	20,879
Board of Education	48,000	48,000	38,496	9,504
Administration	79,713	84,967	61,397	23,570
Fiscal	22,065	30,015	24,132	5,883
Operation and Maintenance of Plant	22,847	31,357	24,221	7,136
Operation of Non-Instructional Services	2,000	2,000	2,000	0
Total Expenditures	<u>601,459</u>	<u>823,935</u>	<u>686,574</u>	<u>137,361</u>
Excess of Revenues Over Expenditures	<u>202,041</u>	<u>118,903</u>	<u>256,264</u>	<u>137,361</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditure	0	14,531	14,531	0
Advances - In	0	9,891	9,891	0
Advances - Out	0	(21,515)	(21,515)	0
Operating Transfers - Out	(929,958)	(848,445)	0	848,445
Other Financing Uses	(20,846)	(22,128)	0	22,128
Total Other Financing Sources (Uses)	<u>(950,804)</u>	<u>(867,666)</u>	<u>2,907</u>	<u>870,573</u>
Net Change in Fund Balances	(748,763)	(748,763)	259,171	1,007,934
Fund Balances at Beginning of Year	731,672	731,672	731,672	0
Prior Year Encumbrances Appropriated	17,091	17,091	17,091	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$1,007,934</u>	<u>\$1,007,934</u>

See Accompanying Notes to the Basic Financial Statements



College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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 law 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. The School District owns half of one elementary building, which sits on the Ohio-Indiana state line. The other half of the building is owned by the Union County School Corporation.

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

With regard to financial management, according to the reorganization agreement, the Union County School Corporation is the “administering” district. The administering district is the district delegated the responsibility to maintain the books and records, issue contracts, and perform day-to-day operations of the Joint District. The College Corner Local School District makes payment to the Union County School Corporation for educating the students of the College Corner Local School District. The payment amount is determined yearly based on a formula that takes into account the yearly expenses of the Joint District as well as state support received from both Indiana and Ohio. The College Corner Local School District keeps a record of just its transactions in its accounting system maintained by the Southwestern Ohio Computer Association. College Corner Local School District contracts with the Preble County Educational Service Center to provide personnel to fulfill all of the responsibilities of a local school treasurer, as well as to provide superintendent secretarial services. The School District has a five year employment contract with the Superintendent, who is employed part-time and does not earn any type of leave or receive any insurance benefits. College Corner Local School District receives property taxes and foundation payments from the State. They receive rent revenue for their share of the elementary building and retirement reimbursements for employees who pay into Ohio retirement systems from the Union County School Corporation. The College Corner Local School District makes payments to the Union County School Corporation for educating their students.

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY** (continued)

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District.

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

The School District participates in one jointly governed organization and one insurance purchasing pool. These organizations are the Southwest Ohio Computer Association and the Ohio School Plan. Information about these organizations is presented in Notes 14 and 15 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the College Corner Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not 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. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

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

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. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

*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 are the School District's major governmental funds:

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

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

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

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

**C. Measurement Focus**

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement on Net Assets. The Statement of Activities accounts for 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.

**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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Non-exchange Transactions:*

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

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.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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

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, rentals, retirement reimbursements and grants.

*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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements from other school districts 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:*

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

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

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled, with the exception of cash and cash equivalents held by fiscal agents. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

The School District made an advance payment to the Union County School District for the building project. The balance of the unspent money on deposit with Union County School Corporation is presented on combined balance sheet as "cash and cash equivalents with fiscal agents."

During fiscal year 2003, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$33,781, which includes \$18,773 assigned from other funds.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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

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

**F. Interfund Assets/Liabilities**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables” and “interfund payables.” These amounts are eliminated in the governmental activities column of the statement of net assets.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund are amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization. For additional information see Note 16.

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

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

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

**J. Accrued Liabilities and Long-Term Obligations**

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

In general, 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 governmental funds. However, contractually required pension contributions 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 in the current fiscal year.

**K. Interfund Transactions**

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

**L. Fund Balance Reserves**

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

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed 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 are federal and state grants restricted to expenditures for specified purposes, and amounts set aside for budget stabilization and textbook and instructional materials.

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

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

**N. Estimates**

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

**O. Budgetary Data**

All 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. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been given the authority to further allocate the Board's appropriations to the function and object levels within all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original 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 certificate that were in effect at the time final appropriations were passed by the Board. Prior to fiscal year-end, the School District requested and received an amended certificate that reflected actual revenue.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.



College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2003, the School District has presented, for the first time, financial statements in accordance with Generally Accepted Accounting Principles.

The financial statements include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements prepared on a modified accrual basis of accounting. The beginning fund balances for governmental funds reflect the changes caused by the conversion from cash to the modified accrual basis of accounting. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

	General	College Corner/Union County Building Project Fund	Nonmajor	Totals
Fund Balance June 30, 2002	\$748,763	\$2,000,000	\$8,380	\$2,757,143
GAAP Adjustments	68,417	0	(13,879)	54,538
Adjusted Fund Balance June 30, 2002	\$817,180	\$2,000,000	(\$5,499)	2,811,681

GASB 34 Adjustments:

Deferred Revenue:

Property and Other Local Taxes Receivable	7,468
Intergovernmental Grants	21,725
Capital Assets	3,440
Intergovernmental Payable	(4,296)
Governmental Activities Net Assets June 30, 2002	\$2,840,018

The application of generally accepted account principles caused the fiduciary funds to be reclassified and reported as part of the general fund which reduced the \$1,000 fund balance to zero at June 30, 2002.

**NOTE 4 - ACCOUNTABILITY**

The Title VI-B, Title I, and Title VI nonmajor funds had deficit fund balances at June 30, 2003, of \$10,754, \$17,013, and \$585, respectively. The general fund is liable for any deficits in these funds and will provide operating transfers when cash is required, not when accruals occur.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statements.

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

Net Change in Fund Balance	
GAAP Basis	\$272,219
Net Adjustment for Revenue Accruals	19,584
Net Adjustment for Expenditure Accruals	3,508
Unrecorded Cash FY 2002	4,746
Unrecorded Cash FY 2003	(3,807)
Advances	(11,624)
Adjustment for Encumbrances	(25,455)
Budget Basis	<u>\$259,171</u>

**NOTE 6 - 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 monies are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies 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, but not limited to, passbook accounts.

Protection of the 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 are 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 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 (STAR Ohio);

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

7. Certain bankers' acceptances 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,

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 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 fiscal year end, the School District had \$150 in undeposited cash on hand which is included on the financial statements 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."

At June 30, 2003, the School District had "cash and cash equivalents with fiscal agents" in the College Corner/Union County Building Project Fund of \$388,584. This money represents the School District's share of the building project that has not yet been expended. The money is held by the Union County School Corporation, the administrator of the project. Since the money is commingled at the Union County School Corporation, it cannot be classified by risk under GASB Statement No. 3. The classification of cash and cash equivalents for the Union County School Corporation as a whole can be obtained by writing Marsha Maze, Treasurer of the Union County School Corporation, 107 Layman Street, Liberty, IN 47353.0

*Deposits:*

At fiscal year-end, the carrying amount of the School District's deposits was 63,942 and the bank balance was \$70,022. The entire bank balance was covered by the federal depository insurance at June 30, 2003. During fiscal year 2003, for six out of the twelve months, deposits exceeded FDIC coverage of \$100,000. The amounts in excess of FDIC coverage ranged from \$15,310 to \$725,568.

*Investments:*

The School District's investments are required to be categorized 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 which 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. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The carrying/fair value invested in Star Ohio at June 30, 2003, was \$2,043,283.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,495,959	\$0
Cash on Hand	(150)	0
Cash Held by the Union County School Corporation	(388,584)	0
Investments:		
STAR Ohio	(2,043,283)	2,043,283
GASB Statement No. 3	\$63,942	\$2,043,283

**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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 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.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 7 - PROPERTY TAXES** (continued)

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Butler and Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 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, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$6,799 in the general fund, and \$1,465 in the nonmajor funds. The amount available as an advance at June 30, 2002, was \$4,887 in the general fund and \$1,152 in the nonmajor funds. On a full accrual basis, collectable property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$7,124,860	87.15%	\$7,832,690	89.81%
Public Utility Personal	746,130	9.13	705,940	8.09
Tangible Personal Property	304,714	3.72	183,086	2.10
<b>Total</b>	<b>\$8,175,704</b>	<b>100.00%</b>	<b>\$8,721,716</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$32.10		\$32.10	

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property tax, accounts, intergovernmental grants and retirement reimbursements, and interfund. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
General Fund	
Union County School Corporation Retirement Reimbursements	\$38,755
Nonmajor Funds	
Title VI-B Grant	10,754
Title I	10,109
Title VI Grant	585
Drug Free Grant	481
Preschool Handicapped Grant	453
Title II-A Grant	4,284
Title II-D Grant	277
Total Nonmajor Funds	26,943
Total Intergovernmental Receivables	\$65,698

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 6/30/02	Additions	Deductions	Balance 6/30/03
<b>Governmental Activities</b>				
Capital Assets, not Being Depreciated:				
Land	\$2,000	\$0	\$0	\$2,000
Construction in Progress	0	611,416	0	611,416
Total capital Assets, not Being Depreciated	2,000	611,416	0	613,416
Capital Assets, Being Depreciated:				
Building and Improvements	19,438	0	0	19,438
Furniture and Equipment	2,095	2,388	0	4,483
Total Capital Assets, Being Depreciated	21,533	2,388	0	23,921
Less Accumulated Depreciation:				
Building and Improvements	(19,438)	0	0	(19,438)
Furniture and Equipment	(655)	(411)	0	(1,066)
Total Accumulated Depreciation	(20,093)	(411) *	0	(20,504)
Capital Assets, Being Depreciated, Net	1,440	1,976	0	3,417
Governmental Activities Capital Assets, Net	\$3,440	\$613,393	\$0	\$616,833

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 9 - CAPITAL ASSETS** (continued)

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

Support Services:	
Administration	\$149
Fiscal	262
Total Depreciation Expense	\$411

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 15). The School District contracts for education general liability, employers Liability - stop gap, employee benefits liability, and educational legal liability with OSP.

Coverage provided through the OSP is as follows:

Educational General Liability	
Bodily Injury and Property Damage	
Per Occurrence	\$1,000,000
Sexual Abuse Injury	
Per Occurrence	1,000,000
Personal and Advertising Injury	
Per Occurrence	1,000,000
Fire Damage	
Per Occurrence	500,000
Medical Expense	
Per Person	10,000
Per Occurrence	10,000
General Aggregate Limit	3,000,000
Products	
Completed Operations Limit	1,000,000



College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 10 - RISK MANAGEMENT** (continued)

Employers' Liability and Stop Gap Endorsement	
Bodily Injury By Accident	
Per Occurrence	1,000,000
Bodily Injury By Disease	
Per Employee	1,000,000
Aggregate	1,000,000
Employee Benefits Liability	
Employee Benefits Injury	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
Educational Legal Liability Coverage Form	
Errors and Omissions Injury Limit	1,000,000
Aggregate	2,000,000
Employment Practices Injury Limit	1,000,000
Aggregate	2,000,000
Defense Costs Cap	1,000,000
Defense Costs Aggregate Cap	1,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. During fiscal year 2003, the School District increased its insurance coverage.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$7,930, \$11,772, and \$13,164, respectively; 56.11 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$60,495, \$37,416, and \$44,676, respectively; 82.36 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. The School District contributions do not have any employees eligible to choose the DC or Combined Plans.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, one members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$4,653 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$5,902.

**NOTE 12 - POSTEMPLOYMENT BENEFITS** (continued)

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, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 13 - INTERFUND ASSETS/LIABILITIES**

The general fund had interfund receivables in the amount of \$36,600 and the nonmajor funds had interfund payables in the amount of \$36,600 at June 30, 2003.

General fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Restricted monies are used to reimburse the general fund for advancing monies to other funds due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund reimburses the general fund for the initial advance.

**NOTE 14 - JOINTLY GOVERNED ORGANIZATION**

*Southwest Ohio Computer Association* - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$7,400 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

**NOTE 15 - INSURANCE PURCHASING POOL**

*Ohio School Plan* - The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

College Corner Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003

**NOTE 16 - SET-ASIDE CALCULATIONS**

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

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

	Budget Stabilization	Textbooks/ Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2002	\$20,846	\$3,957	\$0
Current Year Set-aside Requirement	0	18,630	18,630
Qualifying Disbursements	0	0	(798)
Current Year Offsets	0	0	(36,022)
Set-aside Balance Carried Forward to Future Fiscal Years	\$20,846	\$22,587	\$0
Set-aside Reserve Balance as of June 30, 2003	\$20,846	\$22,587	\$0

The total reserve balance for the set-asides at the end of the fiscal year was \$43,433.

**NOTE 17 – SIGNIFICANT CONTRACTUAL COMMITMENTS**

The School District is currently involved in a building project with the Union County School Corporation to make improvements and additions to the College Corner elementary. The Union County School Corporation is administering the project, and College Corner Local School District has an agreement with them to pay for half of the total cost of the project. According to the agreement, College Corner Local School District was to pay \$1,000,000 to the Union County School Corporation when the project was approved, with the balance to be paid periodically as needed and based on the final cost of the project. The initial \$1,000,000 was paid to the Union County School Corporation during fiscal year 2003. As of June 30, 2003, College Corner's total share of the cost of the project was \$2,604,496, so there was still \$1,604,496 remaining to be paid to the Union County School Corporation at fiscal year-end.

**NOTE 18 - CONTINGENCIES**

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, 2003.

**NOTE 19 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is 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..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 20 - SUBSEQUENT EVENTS**

Since June 30, 2003, College Corner Local School District has made payments totaling \$1,300,000 to the Union County School Corporation as part of the share in the building project. In September of 2003, change orders were done to the construction estimate resulting in a new total for College Corner's share of \$2,677,851. As of this date, College Corner Local School District has \$377,851 remaining to be paid to the Union County School Corporation.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

College Corner Local School District  
Preble County  
597 Hillcrest Drive  
Eaton, Ohio 45320

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of College Corner Local School District, Preble County, Ohio (the District), as of and for the years ended June 30, 2004 and 2003, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 16, 2005, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34 for year ended June 30, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 16, 2005.

#### **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 for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated February 16, 2005.

This report is intended for the information and use of the audit committee, management, and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

February 16, 2005



**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2004 AND 2003**

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

**FINDING NUMBER 2004-001**

**Noncompliance/Reportable Condition**

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

The District's deposits at Heritage Community Bank were not adequately covered by collateral at all times during the audit period. During the audit period, for nine out of twenty-four months, deposits exceeded FDIC coverage of \$100,000. The amounts in excess of FDIC coverage ranged from \$15,310 to \$725,568 in 2003 and ranged from \$19,061 to \$113,741 in 2004.

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

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**COLLEGE CORNER LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004 AND 2003**

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>
2002-10368-001	OAC 117-2-03(B), failure to report in accordance with generally accepted accounting principles	Yes	
2001-40414-002	ORC 5705.41(D), failure to properly certify funds	No	Partially corrected – reissued as management letter citation
2001-40414-003	ORC 135.18, failure to adequately collateralize funds	No	Reissued as Finding 2004-001





**Auditor of State  
Betty Montgomery**

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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**

**MARCH 10, 2005**