



**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State
Betty Montgomery**

**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

TABLE OF CONTENTS

Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	13
Statement of Activities	15
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	20
Statement of Fund Net Assets – Internal Service Fund.....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund.....	22
Statement of Cash Flows – Internal Service Fund	23
Statement of Fiduciary Assets and Liabilities – Agency Funds	24
Notes to the Basic Financial Statements	25
Independent Accountants' Report on Compliance and on Internal Control <i>Government Auditing Standards</i>	49

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Columbia Local School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2004, 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, the major fund, and the aggregate remaining fund information of the Columbia Local School District, Lorain County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments* and restated capital assets and changed its accounting for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 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 4, 2005

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

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

Financial Highlights

Key financial highlights for 2004 are as follows:

- Net assets totaled \$2,553,821 for 2004.
- Revenue for governmental activities totaled \$9,295,106 in 2004. Of this total, 91 percent consisted of general revenues while program revenues accounted for the balance of 9 percent.
- Program expenses totaled \$8,514,511. Instructional expenses comprised 54.2 percent of this total, while support services accounted for 37.1 percent. Other expenses rounded out the balance of 8.7 percent.
- Outstanding general obligation bonded debt decreased to \$42,767 from \$83,305 in 2003.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 16. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

Proprietary Funds – Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities; however, beginning this reporting year, the School District reported the enterprise funds and the rotary internal service fund as special revenue funds. The internal service fund accounts for health insurance and is reported separately as the School District's internal service fund.

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

The School District as a Whole

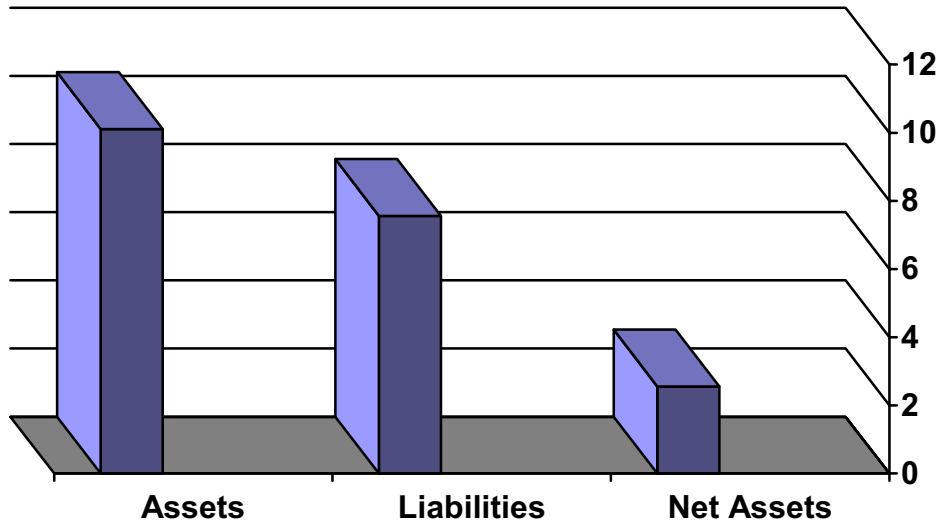
As you may recall, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 compares summaries of the School District's net assets for 2004 and 2003.

Table 1 - Total Net Assets

	<u>2004</u>	<u>2003</u>	<u>Change</u>
Assets			
Current and Other Assets	\$8,612,879	\$7,333,844	\$1,279,035
Capital Assets, Net	1,499,483	1,105,592	393,891
Total Assets	<u>10,112,362</u>	<u>8,439,436</u>	<u>1,672,926</u>
Liabilities			
Current and Other Liabilities	6,868,014	5,985,407	882,607
Long Term Liabilities:			
Due Within One Year	136,620	179,387	(42,767)
Due in More than One Year	553,907	501,416	52,491
Total Liabilities	<u>7,558,541</u>	<u>6,666,210</u>	<u>892,331</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	1,456,716	1,022,287	434,429
Restricted:			
Capital Projects	312,846	215,940	96,906
Set Asides	39,064	39,064	0
Other Purposes	156,600	75,942	80,658
Unrestricted	588,595	419,993	168,602
Total Net Assets	<u>\$2,553,821</u>	<u>\$1,773,226</u>	<u>\$780,595</u>

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

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



Property taxes receivable contributed \$6,264,904 or 61.9 percent of total assets. Of this amount \$5,558,425 is offset as deferred revenue; revenue to be used in future periods. In May of 2003 a 6.21 mill operating levy was passed yielding \$950,000 annually, beginning in fiscal year 2003, with full collection occurring in fiscal year 2004. Liabilities for Governmental Activities totaled \$7,558,541; of this amount \$553,907 or 7.3 percent is included in long-term liabilities. By comparing assets and liabilities, one can see the overall position of the School District is good. The vast majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$8,455,550 or 91 percent of total revenue. The most significant portion of the General revenue is the local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$839,556 or 9 percent of total revenue.

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

Table 2 shows the changes in net assets for fiscal year 2004. 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 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2 - Governmental Activities

Revenues	<u>2004</u>
Program Revenues:	
Charges for Services and Sales	\$428,602
Operating Grants, Interest and Contributions	391,093
Capital Grants and Contributions	<u>19,861</u>
<i>Total Program Revenues</i>	<u>839,556</u>
General Revenues:	
Property Taxes	4,827,287
Grant and Entitlements not Restricted to Specific Programs	3,551,709
Investment Earnings	18,296
Miscellaneous	<u>58,258</u>
Total General Revenues	<u>8,455,550</u>
Total Revenues	<u>9,295,106</u>
Program Expenses	
Instruction:	
Regular	3,907,264
Special	512,375
Vocational	85,412
Other	105,719
Support Services:	
Pupils	487,675
Instructional Staff	301,520
Board of Education	103,808
Administration	611,601
Fiscal	303,743
Operation and Maintenance of Plant	817,063
Pupil Transportation	443,593
Central	92,564
Food Service Operations	279,854
Extracurricular Activities	457,738
Interest and Fiscal Charges	<u>4,582</u>
Total Expenses	<u>8,514,511</u>
Change in Net Assets	780,595
<i>Net Assets Beginning of Year - See Note 3</i>	<u>1,773,226</u>
<i>Net Assets End of Year</i>	<u><u>\$2,553,821</u></u>

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

Governmental Activities

The School District prepared and closely monitored its five-year financial forecast that included forecasted revenues and expenditures for the School District's primary General operating fund. In May of 2003, the School District successfully passed a 6.21 mill, operating levy that generates \$950,000 in revenue per year. Collections on this new levy began in the second half of fiscal year 2003 with full collection of this levy realized in fiscal year 2004. The additional income is dedicated to fund the day-to-day operations of the School District (e.g., salaries, utilities, textbooks, transportation, etc.) and is expected to cover three years of operation.

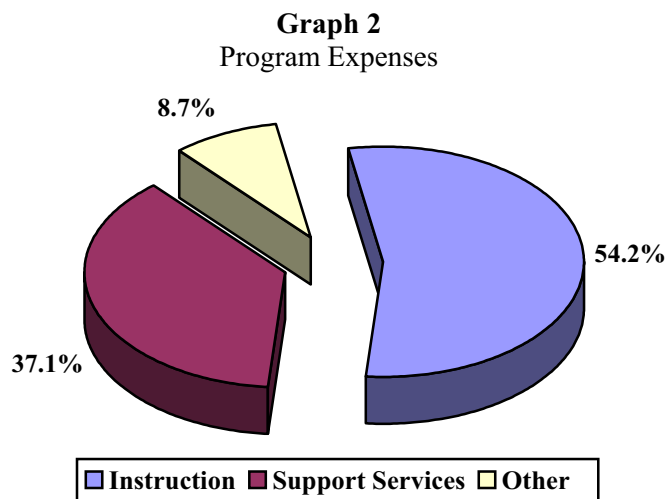
Ohio House Bill 920 effectively freezes tax revenue to a specific dollar amount the minute a levy is passed. This House Bill also eliminates any growth from local revenue; therefore, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters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

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive grant and entitlement funds to help offset some operating costs. Property taxes made up 51.9 percent of revenues for governmental activities for Columbia Local Schools in fiscal year 2004.

Approximately 54.2 percent of the School District's budget is used for instructional expenses. Supporting services for pupils, staff and business operations account for an additional 37.1 percent. The remaining amount of program expenses, roughly 8.7 percent, is budgeted to facilitate other obligations of the School District including food service operations, extracurricular activities, and interest and fiscal charges.

The School District's net assets increased in fiscal year 2004 by \$780,595. The increase was primarily due to frugal management and proceeds from the additional levy voters approved May 2003.

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



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

Table 3
Governmental Activities

Programs	Total Cost of Services 2004	Net Cost of Services 2004
Instruction:		
Regular	\$3,907,264	\$3,724,233
Special	512,375	350,409
Vocational	85,412	85,412
Other	105,719	105,719
Support Services:		
Pupils	487,675	457,395
Instructional Staff	301,520	301,520
Board of Education	103,808	103,808
Administration	611,601	611,601
Fiscal	303,743	303,743
Operation and Maintenance of Plant	817,063	817,063
Pupil Transportation	443,593	443,593
Central	92,564	60,149
Food Service Operations	279,854	(16,454)
Extracurricular Activities	457,738	322,182
Interest and Fiscal Charges	4,582	4,582
Total Expenses	\$8,514,511	\$7,674,955

The reliance upon local tax revenues for governmental activities is crucial at Columbia Local Schools. More than 56.6 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs, investment earnings and other miscellaneous types of revenues support the remaining general activity costs. Program revenues account for only 9 percent of all governmental expenses.

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

School District's Funds

Information pertaining to the School District's major fund can be found on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,262,451 and expenditures of \$9,074,015.

General Fund Budgeting Highlights

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

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

During the course of the 2004 fiscal year, the School District amended its general fund several times.

The General Fund's budget basis revenue totaled \$8,304,926, which was \$268,376 more than the original budget estimate of \$8,036,550. The budget basis expenses totaled \$8,080,301, which were 788,687 less than the original appropriations of \$8,868,988.

The School District's ending unencumbered cash balance totaled \$1,295,846, which was \$1,057,063 higher than the originally budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$5,751,133 in land and land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Table 4 shows fiscal year 2004 values compared to 2003.

Table 4
Capital Assets

	Governmental Activities		
	2004	2003	Change
Land & Land Improvements	\$248,651	\$218,279	\$30,372
Buildings and Improvements	2,767,514	2,746,226	21,288
Furniture and Equipment	1,702,282	1,692,544	9,738
Vehicles	960,611	833,749	126,862
Infrastructure	72,075	72,075	0
Total	\$5,751,133	\$5,562,873	\$188,260

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

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

At June 30 2004, the School District had \$42,767 in bonds outstanding. Table 5 below summarizes the School District's bonds outstanding.

Table 5
Outstanding Debt

	Governmental Activities	
	2004	2003
General Obligation Bonds:		
Energy Conservation Improvement 1994, 5.50%	42,767	83,305
Total Outstanding Debt	\$42,767	\$83,305

These energy conservation bonds were issued in 1994 and will be fully repaid in calendar year 2005.

School District Outlook

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

As the preceding information shows, the School District heavily depends on its residential property taxpayers. Our community's commitment to Columbia Local Schools was demonstrated by the May, 2003 passage of a 6.21 mill operating levy.

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

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

The DeRolph Case

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed additional revenue growth toward the support of School Districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are

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

inherently not “equitable” nor “adequate.” The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In September 2001, the Ohio Supreme Court issued another opinion regarding the State’s school funding plan. The decision identified aspects of the State’s plan that required modification for the plan to be considered constitutional. The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan (the DeRolph case). The decision reaffirmed earlier decisions that Ohio’s current school-funding decision was unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed “... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”. Subsequent attempts by the Plaintiffs to enforce the ruling by the Court were met with a rejection by the Ohio Supreme Court. The Plaintiffs responded in August 2003, by filing a petition for a Writ of Certiorari with the U.S. Supreme Court, asking the Court to accept an appeal relative to the Ohio Supreme Court’s decision prohibiting Perry County Judge Linton Lewis from considering the Coalition’s motion to establish a compliance conference pertaining to the Court’s DeRolph school funding decisions. In October 2003, the U.S. Supreme Court denied the petition. As of the date of these financial statements, the consensus opinion is that the DeRolph case is over and done. The State continues to struggle with the development of a constitutional school funding system currently through the work of the Governor’s Blue Ribbon Task Force on Financing Student Success. The recommendations of the Task Force, which has been working diligently to reach consensus on school funding improvements to provide a system that is predictable, affordable, spends money effectively, and supports student achievement, are expected to be key to the development of the education portion of the state’s budget for the second year of the biennium (fiscal year 2005).

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

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

Contacting the School District’s Financial Management

This financial report is designed to provide our citizen’s, taxpayers, and investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives.

Columbia Local School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,011,206
Cash and Cash Equivalents with Fiscal Agent	134,119
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	39,064
Interfund Receivable	80,866
Intergovernmental Receivable	30,917
Prepaid Items	49,693
Materials and Supplies Inventory	2,110
Property Taxes Receivable	6,264,904
Nondepreciable Capital Assets	57,921
Depreciable Capital Assets, Net	<u>1,441,562</u>
<i>Total Assets</i>	<u>10,112,362</u>
Liabilities	
Accounts Payable	134,846
Accrued Wages and Benefits Payable	769,541
Interfund Payable	76,614
Intergovernmental Payable	223,068
Deferred Revenue	5,558,425
Claims Payable	105,520
Long-Term Liabilities:	
Due Within One Year	136,620
Due In More Than One Year	<u>553,907</u>
<i>Total Liabilities</i>	<u>7,558,541</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,456,716
Restricted for:	
Capital Projects	312,846
Set Asides	39,064
Other Purposes	156,600
Unrestricted	<u>588,595</u>
<i>Total Net Assets</i>	<u><u>\$2,553,821</u></u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

Columbia 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, Interest and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$3,907,264	\$63,089	\$100,081	\$19,861	(\$3,724,233)
Special	512,375	0	161,966	0	(350,409)
Vocational	85,412	0	0	0	(85,412)
Other	105,719	0	0	0	(105,719)
Support Services:					
Pupils	487,675	325	29,955	0	(457,395)
Instructional Staff	301,520	0	0	0	(301,520)
Board of Education	103,808	0	0	0	(103,808)
Administration	611,601	0	0	0	(611,601)
Fiscal	303,743	0	0	0	(303,743)
Operation and Maintenance of Plant	817,063	0	0	0	(817,063)
Pupil Transportation	443,593	0	0	0	(443,593)
Central	92,564	0	32,415	0	(60,149)
Food Service Operations	279,854	229,632	66,676	0	16,454
Extracurricular Activities	457,738	135,556	0	0	(322,182)
Interest and Fiscal Charges	4,582	0	0	0	(4,582)
<i>Totals</i>	<u>\$8,514,511</u>	<u>\$428,602</u>	<u>\$391,093</u>	<u>\$19,861</u>	<u>(7,674,955)</u>

General Revenues

Property Taxes Levied for:

General Purposes	4,446,885
Debt Service	45,119
Capital Projects	335,283
Grants and Entitlements not Restricted to Specific Programs	3,551,709
Investment Earnings	18,296
Miscellaneous	58,258

Total General Revenues 8,455,550

Change in Net Assets 780,595

Net Assets Beginning of Year - See Note 3 1,773,226

Net Assets End of Year \$2,553,821

See accompanying notes to the basic financial statements

Columbia Local School District

*Balance Sheet
Governmental Funds
June 30, 2004*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,462,470	\$548,736	\$2,011,206
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	39,064	0	39,064
Interfund Receivable	80,866	0	80,866
Intergovernmental Receivable	0	30,917	30,917
Prepaid Items	49,693	0	49,693
Materials and Supplies Inventory	0	2,110	2,110
Property Taxes Receivable	5,952,319	312,585	6,264,904
<i>Total Assets</i>	<u>\$7,584,412</u>	<u>\$894,348</u>	<u>\$8,478,760</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$97,651	\$37,195	\$134,846
Accrued Wages and Benefits Payable	825,090	45,469	870,559
Intergovernmental Payable	155,776	5,908	161,684
Interfund Payable	0	76,614	76,614
Deferred Revenue	5,344,372	257,660	5,602,032
<i>Total Liabilities</i>	<u>6,422,889</u>	<u>422,846</u>	<u>6,845,735</u>
Fund Balances			
Reserved for Encumbrances	102,519	190,421	292,940
Reserved for Property Taxes	607,947	54,925	662,872
Reserved for Budget Stabilization	39,064	0	39,064
Unreserved, Undesignated			
Reported in:			
General Fund	411,993	0	411,993
Special Revenue Funds	0	120,789	120,789
Capital Projects Funds	0	105,367	105,367
<i>Total Fund Balances</i>	<u>1,161,523</u>	<u>471,502</u>	<u>1,633,025</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,584,412</u>	<u>\$894,348</u>	<u>\$8,478,760</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	\$1,633,025
---	--------------------

*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.	1,499,483
---	-----------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.	43,607
--	--------

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	28,599
--	--------

Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(61,384)
--	----------

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(546,742)
General Obligation Bonds	<u>(42,767)</u>

Total	<u>(589,509)</u>
-------	------------------

<i>Net Assets of Governmental Activities</i>	<u><u>\$2,553,821</u></u>
--	---------------------------

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$4,446,885	\$380,402	\$4,827,287
Intergovernmental	3,454,895	444,300	3,899,195
Interest	15,069	784	15,853
Tuition and Fees	24,299	38,790	63,089
Extracurricular Activities	0	135,556	135,556
Contributions and Donations	0	19,861	19,861
Charges for Services	0	229,957	229,957
Rentals	5,931	0	5,931
Miscellaneous	41,412	10,914	52,326
<i>Total Revenues</i>	<u>7,988,491</u>	<u>1,260,564</u>	<u>9,249,055</u>
Expenditures			
Current:			
Instruction:			
Regular	3,802,708	96,085	3,898,793
Special	494,522	16,925	511,447
Vocational	106,686	0	106,686
Other	110,719	0	110,719
Support Services:			
Pupils	361,532	128,171	489,703
Instructional Staff	275,058	19,928	294,986
Board of Education	103,779	0	103,779
Administration	593,184	25,143	618,327
Fiscal	298,885	7,966	306,851
Operation and Maintenance of Plant	852,364	0	852,364
Pupil Transportation	574,479	106,130	680,609
Central	69,449	23,115	92,564
Operation of Non-Instructional Services	0	303,793	303,793
Extracurricular Activities	322,914	141,991	464,905
Capital Outlay	0	179,973	179,973
Debt Service:			
Principal Retirement	0	40,538	40,538
Interest and Fiscal Charges	0	4,582	4,582
<i>Total Expenditures</i>	<u>7,966,279</u>	<u>1,094,340</u>	<u>9,060,619</u>
<i>Excess of Revenues Under Expenditures</i>	<u>22,212</u>	<u>166,224</u>	<u>188,436</u>
Other Financing Sources (Uses)			
Transfers In	0	13,396	13,396
Transfers Out	(13,396)	0	(13,396)
<i>Total Other Financing Sources (Uses)</i>	<u>(13,396)</u>	<u>13,396</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	8,816	179,620	188,436
<i>Fund Balances Beginning of Year - Restated</i> <i>(See Note 3)</i>	<u>1,152,707</u>	<u>291,882</u>	<u>1,444,589</u>
<i>Fund Balances End of Year</i>	<u>\$1,161,523</u>	<u>\$471,502</u>	<u>\$1,633,025</u>

See accompanying notes to the basic financial statements

Columbia Local School District

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds \$188,436

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

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

Capital Outlay	565,605
Depreciation	<u>(171,714)</u>

Total	393,891
-------	---------

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

Property Taxes	43,607
----------------	--------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 40,538

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

Compensated Absences	(6,945)
Pension Obligation	<u>(3,683)</u>

Total	(10,628)
-------	----------

The internal service fund used by management to charge the costs of health insurance is included in the statement of activities and not in the governmental fund expenditures. 124,751

Change in Net Assets of Governmental Activities \$780,595

See accompanying notes to the basic financial statements

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$4,519,429	\$4,511,033	\$4,755,431	\$244,398
Intergovernmental	3,449,863	3,404,742	3,454,895	50,153
Interest	16,958	16,958	14,562	(2,396)
Tuition and Fees	31,700	31,700	24,299	(7,401)
Rentals	4,000	4,000	5,931	1,931
Miscellaneous	12,000	12,000	40,317	28,317
<i>Total Revenues</i>	<u>8,033,950</u>	<u>7,980,433</u>	<u>8,295,435</u>	<u>315,002</u>
Expenditures				
Current:				
Instruction:				
Regular	4,459,613	4,469,114	3,791,426	677,688
Special	541,106	541,106	494,908	46,198
Vocational	78,093	78,093	78,130	(37)
Other	68,030	68,030	122,719	(54,689)
Support Services:				
Pupils	448,518	448,518	372,312	76,206
Instructional Staff	314,777	314,777	276,667	38,110
Board of Education	59,579	59,579	104,312	(44,733)
Administration	743,794	748,361	603,096	145,265
Fiscal	275,067	275,067	262,644	12,423
Business	1,224	1,224	0	1,224
Operation and Maintenance of Plant	897,105	897,105	936,590	(39,485)
Pupil Transportation	638,845	638,845	583,255	55,590
Central	89,276	89,276	87,560	1,716
Extracurricular Activities	214,691	214,691	322,333	(107,642)
<i>Total Expenditures</i>	<u>8,829,718</u>	<u>8,843,786</u>	<u>8,035,952</u>	<u>807,834</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(795,768)	(863,353)	259,483	1,122,836
Other Financing Uses				
Sale of Fixed Assets	100	100	2	(98)
Refund of Prior Years' Expenditures	0	0	1,093	1,093
Advances In	2,500	10,896	8,396	(2,500)
Advances Out	(12,750)	(12,750)	(30,953)	(18,203)
Transfers Out	(26,520)	(26,520)	(13,396)	13,124
<i>Net Change in Fund Balance</i>	(832,438)	(891,627)	224,625	1,116,252
<i>Fund Balance Beginning of Year</i>	960,882	960,882	960,882	0
Prior Year Encumbrances Appropriated	110,339	110,339	110,339	0
<i>Fund Balance End of Year</i>	<u>\$238,783</u>	<u>\$179,594</u>	<u>\$1,295,846</u>	<u>\$1,116,252</u>

See accompanying notes to the basic financial statements

Columbia Local School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2004

	Self- Insurance Fund
Assets	
Cash and Cash Equivalents with Fiscal Agent	\$134,119
Liabilities	
Claims Payable	<u>105,520</u>
Net Assets	
Unrestricted	<u><u>\$28,599</u></u>

See accompanying notes to the basic financial statements

Columbia Local School District
*Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2004*

	Self- Insurance Fund
Operating Revenues	
Charges for Services	\$652,531
Operating Expenses	
Claims	527,780
<i>Change in Net Assets</i>	124,751
<i>Net Assets Beginning of Year</i>	(96,152)
<i>Net Assets End of Year</i>	\$28,599

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Transactions with Other Funds	\$652,531
Cash Payments for Claims	<u>(563,180)</u>

<i>Net Increase in Cash and Cash Equivalents</i>	89,351
--	--------

<i>Cash and Cash Equivalents Beginning of Year</i>	<u>44,768</u>
--	---------------

<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$134,119</u></u>
--	-------------------------

***Reconciliation of Operating Income to
Net Cash Used for Operating Activities***

<i>Operating Income</i>	<u>\$124,751</u>
-------------------------	------------------

**Adjustments to Reconcile Operating Income to
Net Cash Used for Operating Activities**

(Decrease) in Liabilities:

Claims Payable	<u>(35,400)</u>
----------------	-----------------

<i>Net Cash Used for Operating Activities</i>	<u><u>\$89,351</u></u>
---	------------------------

See accompanying notes to the basic financial statements

Columbia Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$56,004</u>
---	-----------------

Liabilities and Fund Balances

Liabilities

Accounts Payable	\$816
Interfund Payable	4,252
Due to Students	<u>50,936</u>

<i>Total Liabilities</i>	<u>\$56,004</u>
--------------------------	-----------------

See accompanying notes to the basic financial statements

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

Note 1 - Description of the School District

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

The School District operates under a locally elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's eight instructional and four support facilities staffed by 47 classified employees, 80 certified teachers and 8 administrators who provide services to 1,140 students.

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

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

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

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. Columbia Local School District has no proprietary 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 is the School District's major governmental fund:

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

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

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

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

E. Budgetary Data

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

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

at the fund level for all funds. The Treasurer has authority to allocate Board appropriations to the function and object levels within each fund.

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

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

F. Cash and Cash Equivalents

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

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

During fiscal year 2004, investments were limited to Certificate of Deposits, Money Market Account, and STAROhio, the State Treasurer's Investment Pool.

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

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

G. 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 the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

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

I. Restricted Assets

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

J. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives
Land Improvements	40 - 50 years
Infrastructure	50 years
Buildings and Improvements	40 - 100 years
Furniture and Equipment	5 - 20 years
Vehicles	10 years

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

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

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 include student activities, various grants, and food service operations.

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

N. Fund Balance Reserves

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

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

O. Interfund Activity

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

P. Operating Revenue and Expenses

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during this fiscal year.

R. Estimates

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

Note 3 - Change in Accounting Principle and Restatement of Fund Balances/Net Assets

Changes in Accounting Principles For fiscal year 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the reclassification of funds based on the guidance provided in Statement No. 34, which includes reclassifying enterprise funds as special revenue funds for reporting purposes and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the School District.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in

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

interpretation and practice. GASB Numbers 37, 38, 41 and GASB Interpretation No. 6 did not have a significant impact on these basic financial statements.

Restatement of Fund Balance It was determined that funds previously reported as enterprise funds and the rotary internal service fund should be reclassified and reported as special revenue funds. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented. The School District increased its capitalization threshold from five hundred dollars to one thousand dollars during the fiscal year.

	General	Nonmajor	Total
Fund Balances, June 30, 2003	\$1,152,707	\$297,282	\$1,449,989
Fund Reclassification	0	(5,400)	(5,400)
Restated Fund Balances, June 30, 2003	\$1,152,707	\$291,882	1,444,589
GASB 34 Adjustments:			
Capital Assets			1,105,592
Internal Service Funds			(96,152)
Long-Term Liabilities			
Compensated Absences Payable			(539,797)
Intergovernmental Payable			(57,701)
General Obligation Bonds Payable			(83,305)
Governmental Activities Net Assets, June 30, 2003			\$1,773,226

Note 4 – Accountability and Compliance

Fund Deficits

The following special revenue funds had deficit fund balances as of June 30, 2004. The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Food Services	\$	2,784
Other Local Grants	\$	704
Summer Reading Intervention	\$	1,610
Miscellaneous State Grants	\$	730

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

Note 5 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$8,816
Net Adjustment for Revenue Accruals	316,435
Net Adjustment for Expenditure Accruals	99,544
Adjustment for Encumbrances	<u>(200,170)</u>
Budget Basis	<u><u>\$224,625</u></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 deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of

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

depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

Cash on Hand At year end, the School District had \$500 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$1,182,854 and the bank balance was \$1,236,694. Of the bank balance:

1. \$100,000 of the bank balance was covered by depository insurance; and
2. \$1,136,694 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution’s name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments GASB Statement No. 3 requires the School District’s investments 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. Money Market accounts and STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair Value
Money Market	\$150,310
STAROhio	906,729
Total Investments	\$1,057,039

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

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

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$2,240,393	\$0
Cash on Hand	(500)	0
Investments which are part of the Cash Management Pool:		
Money Market	(150,310)	150,310
STAROhio	(906,729)	906,729
GASB Statement No. 3	\$1,182,854	\$1,057,039

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 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 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.

Tangible personal property tax revenue received during calendar 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-three 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.

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

The School District receives property taxes from Lorain County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 \$607,947 in the general fund and \$54,925 in the permanent improvement fund. The amount available as an advance at June 30, 2003, was \$916,494 in the general fund and \$78,467 in the permanent improvement service fund. The difference was in the timing and collection by the County Auditor.

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

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

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$142,550,590	93.15%	\$164,680,120	94.50%
Public Utility Property	6,950,540	4.54	6,759,180	3.88
Tangible Personal Property	3,538,750	2.31	2,806,050	1.62
Total	\$153,039,880	100.00%	\$174,245,350	100.00%
Tax rate per \$1,000 of assessed valuation	\$58.47		\$56.66	

Note 8 - Receivables

Receivables at June 30, 2004, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year except delinquent property taxes.

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

Intergovernmental receivables are as follows:

	Amount
Governmental Activities	
Federal Nutrition	\$8,616
Idea B Grant	11,996
Title I Grant	5,513
Drug Free Grant	4,792
Total	\$30,917

Note 9 - Capital Assets

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

	Restated Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$57,921	\$0	\$0	\$57,921
 <i>Capital Assets, being Depreciated</i>				
Land Improvements	160,358	30,372	0	190,730
Infrastructure	72,075	0	0	72,075
Buildings and Improvements	2,746,226	21,288	0	2,767,514
Furniture and Equipment	1,692,544	53,251	(43,513)	1,702,282
Vehicles	833,749	468,326	(341,464)	960,611
<i>Total Capital Assets, being Depreciated</i>	5,504,952	573,237	(384,977)	5,693,212

(continued)

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

	Restated Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Less: Accumulated Depreciation:				
Land Improvements	111,891	4,020	0	115,911
Infrastructure	42,131	1,441	0	43,572
Buildings and Improvements	2,041,638	47,380	0	2,089,018
Furniture and Equipment	1,478,006	49,122	(42,676)	1,484,452
Vehicles	783,615	69,751	(334,669)	518,697
<i>Total Accumulated Depreciation</i>	<u>4,457,281</u>	<u>171,714</u> *	<u>(377,345)</u>	<u>4,251,650</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>1,047,671</u>	<u>401,523</u>	<u>(7,632)</u>	<u>1,441,562</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,105,592</u>	<u>\$401,523</u>	<u>(\$7,632)</u>	<u>\$1,499,483</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$63,452
Vocational	544
Support Services:	
Pupils	2,818
Instructional Staff	210
Administration	4,239
Fiscal	132
Operation and Maintenance of Plant	6,300
Pupil Transportation	77,911
Central	2,648
Operation of Non-Instructional Services	8,932
Extracurricular	4,528
Total Depreciation Expense	<u>\$171,714</u>

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with the Somers Agency Inc. for property insurance. The primary deductibles are \$1,000 for property coverages. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

Public officials bonds of \$40,000 are maintained for the superintendent and the board president by Continental Casualty Company. The Travelers Casualty and Surety Company of America maintains a \$20,000 public officials bond for the treasurer.

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

B. Workers' Compensation

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

C. Employee Health Benefits

The School District has contracted with Lake Erie Employee Protection Plan (LEEP) to provide for health and dental insurance. LEEP is a program administered by Lake Erie Regional Council of Governments (LERC). The LEEP is a claims sharing pool comprised of eleven school districts that provide public education within Lorain County. The District pays monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. The plan contains a stop-loss provision of \$165,000 per participant.

The claim liability of \$105,520 reported at June 30, 2004 was estimated by LERC and is based on the requirements of Governmental Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. Changes in the balance of claims liability for fiscal years 2004 and 2003 are summarized below. Changes in the balance of claims liability for fiscal year 2002 are not available. Incurred claims and claims payments are not segregated between current and prior year's claims due to the impracticability of obtaining such information.

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$91,771	\$534,763	\$485,614	\$140,920
2004	140,920	481,233	516,633	105,520

Note 11 - Other Employee Benefits

A. Compensated Absences

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

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

B. Life Insurance

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

Note 12- Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$173,159, \$167,900 and \$174,700 respectively; 46.83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

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

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

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

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, 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. 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 \$567,028, \$566,500, and \$536,600 respectively; 81.5 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$1,327 made by the School District and \$7,713 made by the plan members.

Note 13 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependants are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$40,641 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent

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

from fiscal year 2003. 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 has been established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$85,230.

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 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 had approximately 62,000 participants currently receiving health care benefits.

Note 14 - Long - Term Obligations

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

	Principal Outstanding 6/30/03	Additions	Deletions	Principal Outstanding 6/30/04	Amounts Due in One Year
Governmental Activities					
Energy Conservation Improvement Bonds 1994, 5.50%	\$83,305	\$0	\$40,538	\$42,767	\$42,767
Total General Obligation Bonds	83,305	0	40,538	42,767	42,767
Compensated Absences	838,906	0	191,146	647,760	93,853
Total Governmental Activities	<u>\$922,211</u>	<u>\$0</u>	<u>\$231,684</u>	<u>\$690,527</u>	<u>\$136,620</u>

General obligation bonds for the purpose of paying costs of installations, modifications, and remodeling school buildings to conserve energy will be paid from property taxes in the debt service fund. Compensated absences will be paid from the General and Food Service funds.

Note 15 - Jointly Governed Organizations

A. Lake Erie Educational Computer Association

The Lake Erie Educational Computer Association (LEECA) is a jointly governed computer service Bureau that was formed for the purpose of providing data services to its thirty member districts. Major areas of service provided by LEECA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LEECA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a

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

nonvoting, ex-officio member of the Board of Directors. The Lorain County Educational Service Center serves as the fiscal agent of LEECA. Each school district supports LEECA based upon a per pupil charge dependent upon the software packages used. In fiscal year 2004, the School District paid \$12,474 to LEECA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 1885 Lake Avenue, Elyria, OH 44035.

B. Lake Erie Regional Council of Governments

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

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Lorain County Educational Service Center located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2004, the District paid \$ 516,633 to LERC.

C. Lorain County Joint Vocational School District

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

D. Ohio School's Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2004, the School District paid \$1,684 to the Council. Financial information can be obtained by contacting David A. Cottrel, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in

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

any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Note 16 – Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Note 18 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portions continue to be a set-aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2003	(\$3,644)	\$0	\$39,064
Current Year Set-Aside Requirement	157,031	157,031	0
Current Year Offset	0	0	0
Qualifying Disbursements	(169,114)	(273,397)	0
Totals	<u>(\$15,727)</u>	<u>(\$116,366)</u>	<u>\$39,064</u>
Set-Aside Balances Carried Forward to Future Fiscal Years	<u>(\$15,727)</u>	<u>\$0</u>	<u>\$39,064</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$39,064</u>

Textbook expenditures and offset credits exceeded the statutory requirement by \$15,727, which may be used to reduce the set-aside requirement for future years. Capital improvements expenditures and offset

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

credits exceeded statutory requirements by \$116,366, which may not be used to reduce set-aside requirements for future years. Therefore, the Capital Improvements balance is not carried forward to future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$39,064.

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 its future State funding and on its financial operations.

This page intentionally left blank.



Auditor of State Betty Montgomery

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

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

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Columbia Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2005, wherein we noted the District implemented GASB Statement No. 34, restated capital assets and changed its accounting for capital assets. 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated February 4, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 4, 2005.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Columbia Local School District
Lorain County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the 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 4, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**COLUMBIA LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 24, 2005**