

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

REGULAR AUDIT

FOR FISCAL YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Centerburg Local School District
Knox County
175 Union Street
Centerburg, Ohio 43011

We have audited the accompanying general-purpose financial statements of the Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Centerburg Local School District, Knox County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As described in Note 4, the Center has implemented Government Accounting Standards Board Statement number 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans".

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



JIM PETRO
Auditor of State

December 23, 1999

Centerburg Local School District

CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1989

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Account Group	Fixed Asset Account Group	Long-Term Debt Account Group		
Assets and Other Debits:												
Equity in Pooled Cash and Cash Equivalents	\$1,977,535	\$63,450	\$45,884	\$78,286	\$71,366	\$205,580	\$39,794	-	-	-	-	\$2,481,885
Receivables:												
Taxes	1,408,208	-	-	54,501	-	-	-	-	-	-	-	1,462,709
Accounts	977	-	-	-	-	-	-	-	-	-	-	977
Interfund Receivable	10,000	-	-	-	-	-	-	-	-	-	-	10,000
Materials and Supplies Inventory	-	-	-	-	3,958	-	-	-	-	-	-	3,958
Restricted Assets:												
Equity in Pooled Cash and Cash Equivalents	68,839	-	-	-	-	-	-	-	-	-	-	68,839
Fixed Assets	-	-	-	-	62,281	-	-	-	3,528,930	-	-	3,991,211
Accumulated Depreciation	-	-	-	-	(36,313)	-	-	-	-	-	-	(36,313)
Other Debits:												
Amount in Debt Service Fund for Retirement of Provided from General Government Resources	-	-	-	-	-	-	-	-	-	45,884	-	45,884
Total Assets and Other Debits	<u>\$3,465,559</u>	<u>\$63,450</u>	<u>\$45,884</u>	<u>\$132,787</u>	<u>\$101,282</u>	<u>\$205,580</u>	<u>\$39,794</u>	<u>\$3,528,930</u>	<u>\$683,396</u>	<u>\$637,512</u>	<u>\$8,266,962</u>	<u>\$8,266,962</u>
Liabilities:												
Accounts Payable	\$38,751	\$4,188	\$0	\$9,689	\$393	\$0	\$0	\$0	\$0	\$0	\$0	\$53,031
Accrued Wages and Benefits	493,114	9,546	-	-	10,281	-	-	-	-	-	-	518,941
Compensated Absences Payable	7,303	-	-	-	2,504	-	-	-	-	253,206	-	263,013
Interfund Payable	-	-	-	10,000	-	-	-	-	-	-	-	10,000
Intergovernmental Payable	72,968	-	-	-	5,961	-	-	-	-	43,545	-	122,472
Deferred Revenue	908,067	-	-	30,859	2,648	-	-	-	-	-	-	941,574
Due to Students	-	-	-	-	-	-	-	-	-	-	-	26,084
Claims Payable	-	-	-	-	-	50,176	26,084	-	-	-	-	76,260
Capital Lease Payable	-	-	-	-	-	-	-	-	-	-	-	50,176
Energy Conservation Bond Payable	-	-	-	-	-	-	-	-	-	47,645	-	47,645
General Obligation Bonds Payable	-	-	-	-	-	-	-	-	-	315,000	-	315,000
Total Liabilities	<u>1,526,201</u>	<u>13,734</u>	<u>-</u>	<u>50,558</u>	<u>21,787</u>	<u>50,176</u>	<u>26,084</u>	<u>-</u>	<u>24,000</u>	<u>683,396</u>	<u>24,000</u>	<u>2,371,946</u>
Fund Equity and Other Credits:												
Investment in General Fixed Assets	-	-	-	-	-	-	-	3,528,930	-	-	-	3,528,930
Retained Earnings	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	79,495	155,404	-	-	-	-	-	234,899
Fund Balances:												
Reserved:												
Reserved for Encumbrances	138,762	6,445	-	12,584	-	-	-	-	-	-	-	157,791
Reserved for Debt Service Principal	-	-	45,884	-	-	-	-	-	-	-	-	45,884
Reserved for Advances	10,000	-	-	-	-	-	-	-	-	-	-	10,000
Reserved for Property Taxes	500,141	-	-	23,642	-	-	-	-	-	-	-	523,783
Reserved for Textbooks & Instructional Materials	2,947	-	-	-	-	-	-	-	-	-	-	2,947
Reserved for Capital Improvements	2,607	-	-	-	-	-	-	-	-	-	-	2,607
Reserved for Budget Stabilization	63,285	-	-	-	-	-	-	-	-	-	-	63,285
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved, Unobligated	1,221,616	43,271	-	46,003	-	-	13,700	-	-	-	-	1,324,590
Total Fund Equity and Other Credits	<u>1,939,368</u>	<u>45,716</u>	<u>45,884</u>	<u>82,229</u>	<u>79,495</u>	<u>155,404</u>	<u>13,700</u>	<u>3,528,930</u>	<u>5,894,716</u>	<u>\$683,396</u>	<u>\$8,266,962</u>	<u>\$8,266,962</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,465,559</u>	<u>\$63,450</u>	<u>\$45,884</u>	<u>\$132,787</u>	<u>\$101,282</u>	<u>\$205,580</u>	<u>\$39,794</u>	<u>\$3,528,930</u>	<u>\$683,396</u>	<u>\$637,512</u>	<u>\$8,266,962</u>	<u>\$8,266,962</u>

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects Expendable Trust		
Revenues:						
Intergovernmental	\$3,347,506	\$146,395	\$0	\$516,201	\$0	\$4,010,102
Interest	131,332	-	-	-	-	131,332
Tuition and Fees	14,654	1,177	-	-	-	15,831
Rent	4,909	-	-	-	-	4,909
Extracurricular Activities	-	97,394	-	-	-	97,394
Gifts and Donations	-	90	-	-	-	90
Income Tax	491,715	-	-	-	-	491,715
Property & Other Local Taxes	936,887	-	-	59,578	-	996,465
Miscellaneous	909	-	-	-	13,700	14,609
Total Revenues	4,927,912	245,056	-	575,779	13,700	5,762,447
Expenditures:						
Current:						
Instruction:						
Regular	2,400,103	17,820	-	-	-	2,417,923
Special	363,264	116,225	-	-	-	479,489
Vocational	125,646	-	-	-	-	125,646
Other	107,461	-	-	-	-	107,461
Support Services:						
Pupils	98,514	12,037	-	5,866	-	116,417
Instructional Staff	73,048	-	-	-	-	73,048
Board of Education	5,453	-	-	-	-	5,453
Administration	785,252	4,787	-	34,323	-	824,362
Fiscal	154,214	300	-	1,142	-	155,656
Operation and Maintenance of Plant	291,509	-	-	442,854	-	734,363
Pupil Transportation	409,033	-	-	-	-	409,033
Central	-	2,304	-	81,005	-	83,309
Extracurricular activities	110,052	92,948	-	-	-	203,000
Capital Outlay	-	-	-	51,794	-	51,794
Debt Service:						
Debt Service - Principal	35,000	-	12,000	895	-	47,895
Debt Service - Interest	17,820	-	1,850	-	-	19,470
Total Expenditures	4,976,369	246,421	13,650	617,879	-	5,854,319
Excess of Revenues Over (Under) Expenditures	(48,457)	(1,365)	(13,650)	(42,100)	13,700	(91,872)
Other Financing Sources and Uses						
Refund of Prior Year Expenditures	254	-	-	-	-	254
Inception of Capital Lease	-	-	-	48,540	-	48,540
Other Financing Sources	-	4,000	-	-	-	4,000
Total Other Financing Sources (Uses)	254	4,000	-	48,540	-	52,794
Excess of Rev and Other over Exp and Other...	(48,203)	2,635	(13,650)	6,440	13,700	(39,078)
Fund Balance at Beginning of Year	1,987,561	47,081	59,534	75,789	-	2,169,965
Fund Balance at End of Year	\$1,939,358	\$49,716	\$45,884	\$82,229	\$13,700	\$2,130,887

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$2,733,000	\$3,346,956	\$613,956	\$147,958	\$146,395	(\$1,563)
Interest	125,900	131,332	5,432	-	-	-
Tuition and Fees	22,900	15,000	(7,900)	4,100	1,177	(2,923)
Rent	4,900	4,952	52	-	-	-
Extracurricular Activities	-	-	-	90,747	98,976	8,229
Gifts and Donations	100	-	(100)	900	90	(810)
Income Tax	364,500	491,715	127,215	-	-	-
Property & Other Local Taxes	1,062,810	1,039,938	(22,872)	-	-	-
Miscellaneous	750	843	93	-	-	-
Total Revenues	4,314,860	5,030,736	715,876	243,705	246,638	2,933
Expenditures:						
Current:						
Instruction:						
Regular	2,811,637	2,437,129	374,508	37,240	18,821	18,419
Special	378,156	362,026	16,130	114,985	109,467	5,518
Vocational	156,039	134,432	21,607	-	-	-
Other	121,187	107,461	13,726	-	-	-
Support Services:						
Pupils	126,211	94,637	31,574	18,115	13,487	4,628
Instructional Staff	103,090	81,252	21,838	-	-	-
Board of Education	17,526	5,877	11,649	-	-	-
Administration	890,726	797,922	92,804	4,787	4,787	-
Fiscal	190,970	154,669	36,301	-	300	(300)
Operation and Maintenance of Plant	358,613	306,239	52,374	-	-	-
Pupil Transportation	486,963	446,970	39,993	-	-	-
Central	-	-	-	2,798	2,304	494
Extracurricular activities	128,680	110,073	18,607	110,890	97,064	13,826
Capital Outlay	5,000	-	5,000	-	-	-
Debt Service:						
Debt Service - Principal	42,000	35,000	7,000	-	-	-
Debt Service - Interest	21,000	17,820	3,180	-	-	-
Total Expenditures	5,837,798	5,091,507	746,291	288,815	246,230	42,585
Excess of Revenues Over (Under) Expenditures	(1,522,938)	(60,771)	1,462,167	(45,110)	408	45,518
Other Financing Sources and Uses						
Refund of Prior Year Expenditures	26,100	279	(25,821)	-	-	-
Other Financing Sources	-	-	-	-	4,000	4,000
Operating Transfers Out	(736)	-	736	-	-	-
Advances Out	(5,000)	-	5,000	-	-	-
Total Other Financing Sources (Uses)	20,364	279	(20,085)	-	4,000	4,000
Excess of Rev and Other over Exp and Other...	(1,502,574)	(60,492)	1,442,082	(45,110)	4,408	49,518
Fund Balances at Beginning of Year	1,715,991	1,715,991	-	36,547	36,547	-
Prior Year Encumbrances Appropriated	213,363	213,363	-	11,861	11,861	-
Fund Balance at end of Year	\$426,780	\$1,868,862	\$1,442,082	\$3,298	\$52,816	\$49,518

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

Debt Service			Capital Projects			Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
-	-	\$0	\$656,729	\$600,235	(\$56,494)	-	-	\$0	\$3,537,687	\$4,093,586	\$555,899
-	-	-	-	-	-	-	-	-	125,900	131,332	5,432
-	-	-	-	-	-	-	-	-	27,000	16,177	(10,823)
-	-	-	-	-	-	-	-	-	4,900	4,952	52
-	-	-	-	-	-	-	-	-	90,747	98,976	8,229
-	-	-	-	-	-	-	-	-	1,000	90	(910)
-	-	-	-	-	-	-	-	-	364,500	491,715	127,215
-	-	-	46,870	50,563	3,693	-	-	-	1,109,680	1,090,501	(19,179)
-	-	-	-	-	-	13,700	13,700	-	14,450	14,543	93
-	-	-	703,599	650,798	(52,801)	13,700	13,700	-	5,275,864	5,941,872	666,008
-	-	-	-	-	-	13,700	-	13,700	2,862,577	2,455,950	406,627
-	-	-	-	-	-	-	-	-	493,141	471,493	21,648
-	-	-	-	-	-	-	-	-	156,039	134,432	21,607
-	-	-	-	-	-	-	-	-	121,187	107,461	13,726
-	-	-	13,997	5,866	8,131	-	-	-	158,323	113,990	44,333
-	-	-	-	-	-	-	-	-	103,090	81,252	21,838
-	-	-	-	-	-	-	-	-	17,526	5,877	11,649
-	-	-	43,474	43,474	-	-	-	-	938,987	846,183	92,804
-	-	-	1,530	1,142	388	-	-	-	192,500	156,111	36,389
-	-	-	486,803	448,554	38,249	-	-	-	845,416	754,793	90,623
-	-	-	-	-	-	-	-	-	486,963	446,970	39,993
-	-	-	84,033	83,939	94	-	-	-	86,831	86,243	588
-	-	-	-	-	-	-	-	-	239,570	207,137	32,433
-	-	-	86,763	79,662	7,101	-	-	-	91,763	79,662	12,101
12,200	12,000	200	-	-	-	-	-	-	54,200	47,000	7,200
2,000	1,650	350	-	-	-	-	-	-	23,000	19,470	3,530
14,200	13,650	550	716,600	662,637	53,963	13,700	-	13,700	6,871,113	6,014,024	857,089
(14,200)	(13,650)	550	(13,001)	(11,839)	1,162	-	13,700	13,700	(1,595,249)	(72,152)	1,523,097
-	-	-	-	-	-	-	-	-	26,100	279	(25,821)
-	-	-	-	-	-	-	-	-	-	4,000	4,000
-	-	-	-	-	-	-	-	-	(736)	-	736
-	-	-	-	-	-	-	-	-	(5,000)	-	5,000
-	-	-	-	-	-	-	-	-	20,364	4,279	(16,085)
(14,200)	(13,650)	550	(13,001)	(11,839)	1,162	-	13,700	13,700	(1,574,885)	(67,873)	1,507,012
59,534	59,534	-	11,637	11,637	-	-	-	-	1,823,709	1,823,709	-
-	-	-	65,903	65,903	-	-	-	-	291,127	291,127	-
\$45,334	\$45,884	\$550	\$64,539	\$65,701	\$1,162	\$0	\$13,700	\$13,700	\$39,951	\$2,046,963	\$1,507,012

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Sales	\$112,803	\$0	\$112,803
Charges for Services	-	355,785	355,785
Total Operating Revenues	<u>112,803</u>	<u>355,785</u>	<u>468,588</u>
Operating Expenses:			
Salaries	50,106	-	50,106
Fringe Benefits	18,440	-	18,440
Purchased Services	902	403,913	404,815
Materials and Supplies	88,731	-	88,731
Depreciation	2,803	-	2,803
Capital Outlay	4,424	-	4,424
Total Operating Expenses	<u>165,406</u>	<u>403,913</u>	<u>569,319</u>
Operating Income (Loss)	<u>(52,603)</u>	<u>(48,128)</u>	<u>(100,731)</u>
Non-Operating Revenues and Expenses:			
Federal Donated Commodities	9,082	-	9,082
Interest	589	8,886	9,475
Federal and State Subsidies	33,238	-	33,238
Total Non-Operating Revenues and Expenses	<u>42,909</u>	<u>8,886</u>	<u>51,795</u>
Net Income (Loss)	<u>(9,694)</u>	<u>(39,242)</u>	<u>(48,936)</u>
Retained Earnings at Beginning of Year	89,189	194,646	283,835
Retained Earnings at End of Year	<u>\$79,495</u>	<u>\$155,404</u>	<u>\$234,899</u>

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY, OHIO**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Totals Memorandum Only
	Enterprise	Internal Service	
Increase/(Decrease) in Cash & Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$112,803	\$0	\$112,803
Cash Received from Charges for Services	-	355,785	355,785
Cash Pmts. to Suppliers for Goods & Service	(79,143)	-	(79,143)
Cash Payments for Contract Services	(902)	(365,445)	(366,347)
Cash Payments for Employee Services	(48,340)	-	(48,340)
Cash Payments for Employee Benefits	(21,075)	-	(21,075)
Other Cash Payments	(4,424)	-	(4,424)
Net Cash Provided by (Used for) Operating Activities	<u>(41,081)</u>	<u>(9,660)</u>	<u>(50,741)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	33,238	-	33,238
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>33,238</u>	<u>-</u>	<u>33,238</u>
Cash Flows from Investing Activities:			
Interest on Investments	589	8,886	9,475
Net Cash Provided by (Used for) Investing Activities	<u>589</u>	<u>8,886</u>	<u>9,475</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(7,254)</u>	<u>(774)</u>	<u>(8,028)</u>
Cash & Cash Equivalents at Beginning of Year	78,610	206,354	284,964
Cash & Cash Equivalents at End of Year	<u>71,356</u>	<u>205,580</u>	<u>\$276,936</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(\$52,603)	(\$48,128)	(\$100,731)
Adjustments to Reconcile Operating Income (loss) To Net Cash Provided by (Used for) Operating Activities:			
Depreciation	2,803	-	\$2,803
Donated Commodities Used During the Year	9,082	-	9,082
(Increase) Decrease in Assets:			
Material and Supplies Inventory	14	-	14
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	225	-	225
Claims Payable	-	38,468	38,468
Intergovernmental Payable	(1,277)	-	(1,277)
Deferred Revenue	289	-	289
Accounts Payable	203	-	203
Accrued Wages and Benefits	183	-	183
Total Adjustments	<u>11,522</u>	<u>38,468</u>	<u>49,990</u>
Net Cash Provided by (Used for) Operating Activities	<u>(\$41,081)</u>	<u>(\$9,660)</u>	<u>(\$50,741)</u>

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

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Centerburg Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1887 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 63 square miles. It is located in Knox County, and includes the Village of Centerburg and Mt. Liberty and portions of Milford, Hillar, Liberty, Porter, Beggington, and Hartford Townships. The School District is the 488th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 33 non-certificated employees and 64 certificated full-time teaching personnel who provide services to 1,030 students and other community members. The School District currently operates 2 instructional buildings, one administrative building, and one garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Centerburg 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 provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

The School District is associated with three organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Tri-Rivers Educational Computer Association, the Knox County Career Center, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund - Enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Centerburg Local School District
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Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

Internal Service Fund - Internal service fund is used account 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.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**Centerburg Local School District
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Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

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 the governmental funds.

**Centerburg Local School District
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Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Knox County Budget Commission for rate determination.

**Centerburg Local School District
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Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**Centerburg Local School District
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Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investments purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner of consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

**Centerburg Local School District
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Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 District are considered to be cash equivalents.

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 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.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Teacher Development Grant

Capital Projects Funds

- School Net
- School Net Plus
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 63 percent of the School District's operating revenue during the 1999 fiscal year.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables", and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those, the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 20 years of current service with the School District, or after 15 years of service and at least 45 years of age, or after 10 years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

**Centerburg Local School District
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Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Fund Balance Reserves

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

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

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability – Fund Deficits

At June 30, 1999, the Tile VI-B and the Energy Conservation Project Funds had deficit fund balances of \$7,097 and \$10,000, respectively, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Legal Compliance

Section 5704.41 (B), Revised Code, the Power Up Special Revenue Fund had expenditures plus encumbrances in excess of appropriations in the amount of \$11,751.

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides accounting for deferred compensation plans. The School District participated in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	(\$60,492)	\$4,408	(\$13,650)	(\$11,839)	\$13,700
Net Adjustment for Revenue Accruals	(102,824)	(1,582)	0	(75,018)	0
Net Adjustment for Expenditure Accruals	(62,374)	(10,824)	0	32,173	0
Net Adjustment for Other Sources/Uses	(25)	0	0	48,540	0
Adjustment for Encumbrances	177,512	10,633	0	12,584	0
GAAP Basis	<u>(\$48,203)</u>	<u>\$2,635</u>	<u>(\$13,650)</u>	<u>\$6,440</u>	<u>\$13,700</u>

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

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 withdrawal 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

**Centerburg Local School District
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Notes to the General Purpose Financial Statements
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(Continued)

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. Bond 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse purchase 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.

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

**Centerburg Local School District
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Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

At fiscal year end, the School District had \$4,625 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 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$283,358 and the bank balance was \$295,831. Of the bank balance, \$144,957 was covered by federal depository insurance and \$150,874 was covered by pooled collateral.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, 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. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Market Value
STAR Ohio	\$2,262,742	\$2,262,742
Totals	\$2,262,742	\$2,262,742

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,550,725	\$0
Cash On Hand	(4,625)	0
Investments which are part of a cash management pool		
STAR Ohio	(2,262,742)	2,262,742
GASB Statement 3	\$283,358	\$2,262,742

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes paid 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.

The School District receives property taxes from Knox, Delaware, and Licking Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$500,141 in the General Fund and \$23,642 in the Permanent Improvement Capital Projects Fund.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$50,980,790	93%	\$53,629,180	94%
Public Utility	2,425,250	5%	2,513,470	4%
Tangible Personal Property	1,268,663	2%	1,203,013	2%
Total Assessed Value	<u>\$54,674,703</u>	<u>100%</u>	<u>\$57,345,663</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	\$34.10		\$34.10	

NOTE 8 - INCOME TAX

The School District levies a voted tax of .5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 9 - RECEIVABLES

Receivables at June 30, 1999, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), 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.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes Receivable	\$1,408,208
Accounts Receivable	977
Capital Project Fund	
Taxes Receivable	54,501
Total Receivables	<u>\$1,463,686</u>

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

NOTE 10 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$62,281
Less: Accumulated Depreciation	<u>(36,313)</u>
Net Fixed Assets	<u>\$25,968</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 7/01/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$362,010	\$0	\$0	\$362,010
Buildings and Improvements	1,925,940	63,000	0	1,988,940
Furniture and Equipment	568,335	94,157	0	662,492
Vehicles	515,488	0	0	515,488
Totals	<u>\$3,371,773</u>	<u>\$157,157</u>	<u>\$0</u>	<u>\$3,528,930</u>

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$ 0	\$11,980,010
Inland Marine Coverage	250	94,412
Boiler and Machinery	0	11,638,854
Crime Insurance	0	2,500
Automobile Liability	250	2,000,000
Uninsured Motorists	250	7,500
General Liability -		
Per occurrence	0	1,000,000
Per year	0	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$50,176 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$31,554	\$318,430	\$338,276	\$11,708
1999	\$11,708	\$403,913	\$365,445	\$50,176

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Centerburg Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System 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 SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$79,536, \$87,678, and \$82,686, respectively; 50 percent has been paid for fiscal year 1999 and 100 percent has been contributed for fiscal years 1998 and 1997. \$39,768 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Centerburg Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1998, were 9.3 percent of covered payroll for members and 14 percent for employers. 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. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$364,728, \$338,412, and \$315,336, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for fiscal years 1998 and 1997. \$60,788 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary 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.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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 the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 6.36 percent. 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 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .3557, then adding the surcharge due as of June 30, 1998, as certified to your district by SERS.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 184 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 46 days for all employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the National Term Life Insurance Company.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

For fiscal year 1999, the School District implemented GASB Statement No. 32, "Deferred Compensation Plans". This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capital lease for a building. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of a modular building was capitalized in the general fixed assets account group in the amount of \$48,540. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$895 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999.

<u>Fiscal Year Ending June 30,</u>	<u>GLTDAG</u>
2000	\$10,741
2001	10,740
2002	10,741
2003	10,740
2004	9,845
Total	<u>\$52,807</u>
Less: Amount Representing Interest	<u>5,162</u>
Present Value of Net Minimum Lease Payments	<u>\$47,645</u>

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance at 07/01/98	Additions	Deductions	Balance at 06/30/99
Building Addition Bonds	\$36,000	\$0	\$12,000	\$24,000
Energy Conservation Bonds	350,000	0	35,000	315,000
Long-Term Bonds & Notes	\$386,000	\$0	\$47,000	\$339,000
Capital Lease	0	48,540	895	47,645
Pension Obligation	51,002	0	7,457	43,545
Compensated Absences	175,679	77,527	0	253,206
Total Long-Term Obligations	<u>\$612,681</u>	<u>\$126,067</u>	<u>\$55,352</u>	<u>\$683,396</u>

Building Addition General Obligation Bonds - On March 1, 1978, the Centerburg Local School District issued \$275,000 in voted general obligation bonds for the purpose of an addition and improvement to the junior high school building. The bonds were issued for a twenty-year period with final maturity at December 1, 2000. The interest rate on the bonds is 5.50 percent. The bonds will be retired from the debt service fund.

Energy Conservation Bonds - On May 5, 1996, the Centerburg Local School District issued \$380,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The bonds were issued for a ten year period with final maturity during fiscal year 2007. The interest rate on the bonds is 5.20 percent. The bonds will be retired from the debt service fund.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. Capital Leases will be paid from the permanent improvement fund.

The School District's voted legal debt margin was \$5,137,110 with an unvoted debt margin of \$57,346 at June 30, 1999.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$37,000	\$17,600	\$54,600
2001	37,000	15,640	52,640
2002	40,000	14,010	54,010
2003	30,000	11,910	41,910
2004	45,000	10,605	55,605
2005-2007	150,000	16,400	166,400
Total	<u>\$339,000</u>	<u>\$86,165</u>	<u>\$425,165</u>

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$10,000	\$0
Capital Projects - Building Fund	0	\$10,000
Total All Funds	<u>\$10,000</u>	<u>\$10,000</u>

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains one enterprise fund to account for the operations of food service. The table below reflects the more significant financial data relating to the enterprise fund of the Centerburg Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service
Operating Revenues	\$112,803
Depreciation Expense	2,803
Operating Income (Loss)	(52,603)
Donated Commodities	9,082
Grants	33,238
Interest	589
Net Income (Loss)	(9,694)
Net Working Capital	53,527
Total Assets	101,282
Total Liabilities	21,787
Total Equity	79,495

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association - The Tri-Rivers Educational Computer Association (TRECA) is a non-for-profit computer service bureau owned and operated by public school districts in the Ohio counties of Delaware, Marion, Morrow, Wyandot, Knox and Muskingum. The primary function of TRECA is to provide data processing services to the member districts in administrative areas with the major emphasis being placed upon accounting, inventory control and payroll services. Other areas of service provided by TRECA include career guidance services, handicapped student tracking, professional development and technical services, and limited cooperative purchasing. Tri-Rivers JVSD is one of TRECA's member districts and acts as the fiscal agent for TRECA.

Knox County Career Center - The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Knox County Career Center, Tracy Elliot, who serves as Treasurer, at 306 Martinsburg Road, Mount Vernon, Ohio 43050.

NOTE 20 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 21 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$25,863	
Current Year Set-aside Requirement	74,845	74,845	37,422	
Current Year Offsets	(14,385)	(55,000)	0	
Qualifying Disbursements	(57,513)	(17,238)	0	
Total	<u>\$2,947</u>	<u>\$2,607</u>	<u>\$63,285</u>	
Cash Balance Carried Forward to FY 1999	<u>\$2,947</u>	<u>\$2,607</u>	<u>\$63,285</u>	
Amount restricted for Textbooks				\$2,947
Amount restricted for Capital Improvements				2,607
Amount restricted for Budget Stabilization				63,285
Total Restricted Assets				<u>\$68,839</u>

NOTE 23 - STATE SCHOOL FUNDING DECISION/SUBSEQUENT EVENT

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$3,192,297 of school foundation support for its general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in the Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**Centerburg Local School District
Knox County**

Notes to the General Purpose Financial Statements
June 30, 1999
(Continued)

NOTE 24 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits. The School District has buildings with efficient power heating systems, which have extensive efficiency utilization measures within the system.

Knox County collects property tax for the School District. Knox County is responsible for remediating the tax collection system and is solely responsible for any costs associated with this project.

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Uniform School Accounting System software for its payroll and employee benefits. The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and nonfinancial information about the School District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready; that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Board of Education
Centerburg Local School District
Knox County
175 Union Street
Centerburg, Ohio 43011

We have audited the financial statements of Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 23, 1999, wherein we noted the District changed the accounting for the deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 1999-10642-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 23, 1999.

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 management of the District in a separate letter dated December 23, 1999.

Centerburg Local School District
Report on Compliance and on Internal Control Required by
Government Auditing Standards
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This report is intended for the information and use of the audit committee, management, and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or seal.

JIM PETRO
Auditor of State

December 23, 1999

**SCHEDULE OF FINDING
JUNE 30, 1999**

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

1999-10642-001	
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Ohio Rev. Code Section 5705.41(B) states a School District should not make an expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations in the Power Up Fund by \$11,751.

The Treasurer should monitor appropriations and expenditures throughout the year.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CENTERBURG LOCAL SCHOOL DISTRICT, KNOX 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.

By: Susan Babbitt
Clerk of the Bureau

Date: JAN 20 2000