



**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the general-purpose financial statements, the District changed its method of accounting and reporting for its nonexchange transactions and certain shared nonexchange revenues for the year ended June 30, 2001, as required by Governmental Accounting Standards Board Statements No. 33 and No. 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

December 17, 2001

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Centerburg Local School District
Knox County
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,183,435	\$76,152	\$120,640	\$7,046,639
Receivables:				
Taxes	1,596,680	39,256	520,088	66,769
Intergovernmental		10,747		18,071,225
Interfund Receivable	10,000			
Income Tax	307,693			
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	14,251			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u>\$4,112,059</u>	<u>\$126,155</u>	<u>\$640,728</u>	<u>\$25,184,633</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$59,605			
Contracts Payable				\$191,413
Accrued Wages and Benefits	612,143	\$18,579		
Compensated Absences Payable	19,170			
Interfund Payable				10,000
Intergovernmental Payable	98,822			
Deferred Revenue	1,497,955	46,562	\$473,884	18,132,401
Due to Students				
Claims Payable				
Capital Leases Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>2,287,695</u>	<u>65,141</u>	<u>473,884</u>	<u>18,333,814</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	65,236	3,716		
Reserved for Debt Service Principal			120,640	
Reserved for Advances	10,000			
Reserved for Property Taxes	141,325	3,441	46,204	5,593
Reserved for Budget Stabilization	14,251			
Unreserved:				
Unreserved, Undesignated	1,593,552	53,857		6,845,226
Total Fund Equity and Other Credits	<u>1,824,364</u>	<u>61,014</u>	<u>166,844</u>	<u>6,850,819</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,112,059</u>	<u>\$126,155</u>	<u>\$640,728</u>	<u>\$25,184,633</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$53,316	\$55,423	\$45,169			\$9,580,774
					2,222,793
					18,081,972
					10,000
					307,693
4,307					4,307
					14,251
79,823 (41,251)			\$4,185,977		4,265,800 (41,251)
				\$120,640	120,640
				7,152,432	7,152,432
<u>\$96,195</u>	<u>\$55,423</u>	<u>\$45,169</u>	<u>\$4,185,977</u>	<u>\$7,273,072</u>	<u>\$41,719,411</u>
		\$308			\$59,913
\$12,611					191,413
4,441				\$348,838	643,333
					372,449
4,864					10,000
2,188				47,748	151,434
		31,448			20,152,990
	\$8,580				31,448
					8,580
				127,307	127,307
				265,000	265,000
				6,484,179	6,484,179
<u>24,104</u>	<u>8,580</u>	<u>31,756</u>		<u>7,273,072</u>	<u>28,498,046</u>
			\$4,185,977		4,185,977
72,091	46,843				118,934
					68,952
					120,640
					10,000
					196,563
					14,251
		13,413			8,506,048
<u>72,091</u>	<u>46,843</u>	<u>13,413</u>	<u>4,185,977</u>		<u>13,221,365</u>
<u>\$96,195</u>	<u>\$55,423</u>	<u>\$45,169</u>	<u>\$4,185,977</u>	<u>\$7,273,072</u>	<u>\$41,719,411</u>

**Centerburg Local School District
Knox County
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$3,709,507	\$192,076
Interest	222,695	
Tuition and Fees	9,070	
Rent	4,616	
Extracurricular Activities		106,093
Gifts and Donations		1,324
Income Tax	687,771	
Property & Other Local Taxes	1,238,336	20,382
Miscellaneous	133	
Total Revenues	5,872,128	319,875
Expenditures:		
Instruction:		
Regular	2,891,365	12,608
Special	662,208	119,278
Vocational	147,981	
Other	152,062	
Support services:		
Pupils	115,926	35,361
Instructional Staff	95,741	
Board of Education	6,624	
Administration	671,371	4,551
Fiscal	192,773	349
Operation and Maintenance of Plant	345,461	
Pupil Transportation	448,313	
Central		3,189
Extracurricular activities	119,213	102,641
Capital Outlay		
Debt Service		
Debt Service - Principal	50,094	
Debt Service - Interest	23,437	
Total Expenditures	5,922,569	277,977
Excess of Revenues Over (Under) Expenditures	(50,441)	41,898
Other Financing Sources and Uses		
Proceeds from Sale of Bonds		
Proceeds from Sale of Long-Term Notes		
Refund of Prior Year Expenditures	14,251	
Total Other Financing Sources (Uses)	14,251	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(36,190)	41,898
Fund Balance at Beginning of Year - Restated (See Note 3)	1,860,554	19,116
Fund Balance at End of Year	\$1,824,364	\$61,014

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$26,922	\$725,317		\$4,653,822
11,395	187,316	\$713	422,119
			9,070
			4,616
			106,093
			1,324
			687,771
268,470	50,331		1,577,519
			133
<u>306,787</u>	<u>962,964</u>	<u>713</u>	<u>7,462,467</u>
	29,264		2,933,237
			781,486
			147,981
			152,062
	9,513		160,800
	3,000		98,741
			6,624
	214,785		890,707
4,582	1,103		198,807
	2,045		347,506
			448,313
	1,234		4,423
			221,854
	352,675		352,675
6,494,000	9,998		6,554,092
160,259	3,178		186,874
<u>6,658,841</u>	<u>626,795</u>		<u>13,486,182</u>
<u>(6,352,054)</u>	<u>336,169</u>	<u>713</u>	<u>(6,023,715)</u>
6,486,004			6,486,004
	6,482,000		6,482,000
			14,251
<u>6,486,004</u>	<u>6,482,000</u>		<u>12,982,255</u>
133,950	6,818,169	713	6,958,540
32,894	32,650	12,700	1,957,914
<u>\$166,844</u>	<u>\$6,850,819</u>	<u>\$13,413</u>	<u>\$8,916,454</u>

**Centerburg Local School District
Knox County
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2001**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$3,708,100	\$3,710,007	\$1,907
Interest	222,096	222,695	599
Tuition and Fees	11,150	11,016	(134)
Rent	4,700	4,616	(84)
Extracurricular Activities			
Gifts and Donations	100		(100)
Income Tax	674,453	674,061	(392)
Property & Other Local Taxes	1,314,400	1,314,663	263
Miscellaneous	200	133	(67)
Total Revenues	5,935,199	5,937,191	1,992
Expenditures:			
Current:			
Instruction:			
Regular	3,305,938	2,875,331	430,607
Special	830,467	666,538	163,929
Vocational	188,244	155,861	32,383
Other	163,365	152,562	10,803
Support services:			
Pupils	146,560	114,037	32,523
Instructional Staff	140,395	101,155	39,240
Board of Education	13,241	6,652	6,589
Administration	917,470	687,846	229,624
Fiscal	283,773	192,209	91,564
Operation and Maintenance of Plant	582,471	358,402	224,069
Pupil Transportation	554,456	453,518	100,938
Central			
Extracurricular activities	165,510	119,741	45,769
Capital Outlay	3,750		3,750
Debt Service			
Debt Service - Principal	57,500	50,094	7,406
Debt Service - Interest	24,227	23,437	790
Total Expenditures	7,377,367	5,957,383	1,419,984
Excess of Revenues Over (Under) Expenditures	(1,442,168)	(20,192)	1,421,976
Other Financing Sources and Uses			
Proceeds from Sale of Bonds			
Proceeds from Sale of Long-Term Notes			
Proceeds from Sale of Fixed Assets	100		(100)
Refund of Prior Year Expenditures	22,000	19,514	(2,486)
Operating Transfers Out	(49,760)		49,760
Advances Out	(3,750)		3,750
Total Other Financing Sources (Uses)	(31,410)	19,514	50,924
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,473,578)	(678)	1,472,900
Fund Balances at Beginning of Year	1,905,296	1,905,296	
Prior Year Encumbrances Appropriated	168,228	168,228	
Fund Balance at end of Year	\$599,946	\$2,072,846	\$1,472,900

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

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$212,303	\$211,834	(\$469)	\$26,800	\$26,922	\$122
			11,400	11,395	(5)
106,700	106,509	(191)			
1,500	1,324	(176)			
16,860	16,941	81	222,700	222,266	(434)
<u>337,363</u>	<u>336,608</u>	<u>(755)</u>	<u>260,900</u>	<u>260,583</u>	<u>(317)</u>
33,297	26,448	6,849			
138,620	118,171	20,449			
44,335	39,328	5,007			
5,519	4,551	968			
1,000	349	651	5,000	4,582	418
6,305	3,305	3,000			
116,025	105,173	10,852			
			6,494,000	6,494,000	
			160,500	160,259	241
<u>345,101</u>	<u>297,325</u>	<u>47,776</u>	<u>6,659,500</u>	<u>6,658,841</u>	<u>659</u>
<u>(7,738)</u>	<u>39,283</u>	<u>47,021</u>	<u>(6,398,600)</u>	<u>(6,398,258)</u>	<u>342</u>
			6,486,000	6,486,004	4
			<u>6,486,000</u>	<u>6,486,004</u>	<u>4</u>
(7,738)	39,283	47,021	87,400	87,746	346
24,073	24,073		32,894	32,894	
9,080	9,080				
<u>\$25,415</u>	<u>\$72,436</u>	<u>\$47,021</u>	<u>\$120,294</u>	<u>\$120,640</u>	<u>\$346</u>

(Continued)

Centerburg Local School District
Knox County
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001
(Continued)

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$14,379,163	\$725,317	(\$13,653,846)
Interest	187,300	187,316	16
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations	30,000		(30,000)
Income Tax			
Property & Other Local Taxes	52,300	53,640	1,340
Miscellaneous			
Total Revenues	<u>14,648,763</u>	<u>966,273</u>	<u>(13,682,490)</u>
Expenditures:			
Current:			
Instruction:			
Regular	38,500	29,264	9,236
Special			
Vocational			
Other			
Support services:			
Pupils	10,013	9,513	500
Instructional Staff	6,000	3,000	3,000
Board of Education			
Administration	958,170	509,546	448,624
Fiscal	2,148	1,103	1,045
Operation and Maintenance of Plant	32,775	11,017	21,758
Pupil Transportation			
Central	1,234	1,234	
Extracurricular activities			
Capital Outlay	57,354	29,643	27,711
Debt Service			
Debt Service - Principal	6,492,010	9,998	6,482,012
Debt Service - Interest	165,200	3,178	162,022
Total Expenditures	<u>7,763,404</u>	<u>607,496</u>	<u>7,155,908</u>
Excess of Revenues Over (Under) Expenditures	<u>6,885,359</u>	<u>358,777</u>	<u>(6,526,582)</u>
Other Financing Sources and Uses			
Proceeds from Sale of Bonds			
Proceeds from Sale of Long-Term Notes	6,482,000	6,482,000	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Operating Transfers Out			
Advances Out			
Total Other Financing Sources (Uses)	<u>6,482,000</u>	<u>6,482,000</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	13,367,359	6,840,777	(6,526,582)
Fund Balances at Beginning of Year	32,672	32,672	
Prior Year Encumbrances Appropriated	22,000	22,000	
Fund Balance at end of Year	<u>\$13,422,031</u>	<u>\$6,895,449</u>	<u>(\$6,526,582)</u>

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

Fiduciary Trust Fund Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$18,326,366	\$4,674,080	(\$13,652,286)
	\$713	\$713	420,796	422,119	1,323
			11,150	11,016	(134)
			4,700	4,616	(84)
			106,700	106,509	(191)
			31,600	1,324	(30,276)
			674,453	674,061	(392)
			1,606,260	1,607,510	1,250
			200	133	(67)
	<u>713</u>	<u>713</u>	<u>21,182,225</u>	<u>7,501,368</u>	<u>(13,680,857)</u>
\$10,275		10,275	3,388,010	2,931,043	456,967
			969,087	784,709	184,378
			188,244	155,861	32,383
			163,365	152,562	10,803
			200,908	162,878	38,030
			146,395	104,155	42,240
			13,241	6,652	6,589
			1,881,159	1,201,943	679,216
			291,921	198,243	93,678
			615,246	369,419	245,827
			554,456	453,518	100,938
			7,539	4,539	3,000
			281,535	224,914	56,621
			61,104	29,643	31,461
			13,043,510	6,554,092	6,489,418
			349,927	186,874	163,053
<u>10,275</u>		<u>10,275</u>	<u>22,155,647</u>	<u>13,521,045</u>	<u>8,634,602</u>
<u>(10,275)</u>	<u>713</u>	<u>10,988</u>	<u>(973,422)</u>	<u>(6,019,677)</u>	<u>(5,046,255)</u>
			6,486,000	6,486,004	4
			6,482,000	6,482,000	
			100		(100)
			22,000	19,514	(2,486)
			(49,760)		49,760
			(3,750)		3,750
			<u>12,936,590</u>	<u>12,987,518</u>	<u>50,928</u>
(10,275)	713	10,988	11,963,168	6,967,841	(4,995,327)
12,700	12,700		2,007,635	2,007,635	
			199,308	199,308	
<u>\$2,425</u>	<u>\$13,413</u>	<u>\$10,988</u>	<u>\$14,170,111</u>	<u>\$9,174,784</u>	<u>(\$4,995,327)</u>

**Centerburg Local School District
Knox County
Combined Statement of Revenues, Expenses
and Changes in Retained Earnings
Proprietary Fund Types
For the Year Ended June 30, 2001**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Sales	\$129,828		\$129,828
Charges for Services		\$370,423	370,423
Total Operating Revenues	<u>129,828</u>	<u>370,423</u>	<u>500,251</u>
Operating Expenses			
Salaries	54,473		54,473
Fringe Benefits	25,398		25,398
Purchased Services	2,402	454,511	456,913
Materials and Supplies	95,598		95,598
Depreciation	3,388		3,388
Total Operating Expenses	<u>181,259</u>	<u>454,511</u>	<u>635,770</u>
Operating Income (Loss)	(51,431)	(84,088)	(135,519)
Non-Operating Revenues and Expenses			
Federal Donated Commodities	12,939		12,939
Interest	1,600	4,986	6,586
Federal and State Subsidies	40,753		40,753
Total Non-Operating Revenues and Expenses	<u>55,292</u>	<u>4,986</u>	<u>60,278</u>
Net Income (Loss)	3,861	(79,102)	(75,241)
Retained Earnings at Beginning of Year	68,230	125,945	194,175
Retained Earnings at End of Year	<u>\$72,091</u>	<u>\$46,843</u>	<u>\$118,934</u>

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

**Centerburg Local School District
Knox County
Combined Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2001**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$129,828		\$129,828
Cash Received from Charges for Services		\$370,423	370,423
Cash Payments to Suppliers for Goods and Service	(90,748)		(90,748)
Cash Payments for Contract Services	(2,402)	(503,296)	(505,698)
Cash Payments for Employee Services	(53,665)		(53,665)
Cash Payments for Employee Benefits	(25,612)		(25,612)
Net Cash Provided (Used) by Operating Activities	<u>(42,599)</u>	<u>(132,873)</u>	<u>(175,472)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	40,753		40,753
Net Cash Provided (Used) by Noncapital Financing Activities	<u>40,753</u>		<u>40,753</u>
Cash Flows from Investing Activities:			
Interest Received	1,600	4,986	6,586
Net Cash Provided (Used) by Investing Activities	<u>1,600</u>	<u>4,986</u>	<u>6,586</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(1,500)		(1,500)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,500)</u>		<u>(1,500)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,746)	(127,887)	(129,633)
Cash and Cash Equivalents at Beginning of Year	55,062	183,310	238,372
Cash and Cash Equivalents at End of Year	<u><u>\$53,316</u></u>	<u><u>\$55,423</u></u>	<u><u>\$108,739</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$51,431)	(\$84,088)	(\$135,519)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,388		3,388
Donated Commodities Used During the Year	12,939		12,939
Adjustments to Capital Outlay	(7,945)		(7,945)
(Increase) Decrease in Assets:			
Material and Supplies Inventory	227		227
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	367		367
Intergovernmental Payable	(370)		(370)
Deferred Revenue	(371)		(371)
Claims Payable		(48,785)	(48,785)
Accrued Wages and Benefits	597		597
Total Adjustments	<u>8,832</u>	<u>(48,785)</u>	<u>(39,953)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$42,599)</u></u>	<u><u>(\$132,873)</u></u>	<u><u>(\$175,472)</u></u>

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

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**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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, Hilliar, Liberty, Porter, Bennington, and Hartford Townships. The School District is the 482nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 36 non-certificated employees and 72 certificated full-time teaching personnel who provide services to 1,066 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.

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 20 and 21 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.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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.

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.

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.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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.

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, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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

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

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.

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
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(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 2001.

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.

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.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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 2001, 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 2001. 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, 2001.

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, 2001 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, 2001
(Continued)**

H. Intergovernmental Revenues

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

- Local Professional Development Grant
- Education Management Information Systems
- School Net Professional Development
- Textbook Allowance
- Ohio Reads Grant
- Summer School Intervention
- EESA/NDEA
- Title VI-B
- Title I
- Title VI
- Drug-Free Schools
- Title VI-R

Capital Projects Funds

- School Net
- School Net Plus
- Technology Equity
- Power Up Technology
- Emergency School Building Repair

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 57 percent of the School District's operating revenue during the 2001 fiscal year.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(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.

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.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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 23 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, debt service principal, advances and budget stabilization.

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

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 – CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting Principles - For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues."

This change in accounting principle had the following effect on fund balances as June 30, 2000:

	Special Revenue Funds
Fund Balances, June 30, 2000	<u>\$3,082</u>
Implementation of GASB 33	<u>16,034</u>
Restated Fund Balances, June 30, 2000	<u><u>\$19,116</u></u>

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

Accountability – Fund Deficits

At June 30, 2001, the Title VI-B Fund had a deficit fund balance of \$4,684, 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.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$678)	\$39,283	\$87,746	\$6,840,777	\$713
Net Adjustment for Revenue Accruals	68,033	(16,733)	46,204	(3,309)	
Net Adjustment for Expenditure Accruals	(90,026)	15,632		(170,490)	
Net Adjustment for Other Sources/Uses	(5,263)				
Adjustment for Encumbrances	124,840	3,716		151,191	
GAAP Basis	\$96,906	\$41,898	\$133,950	\$6,818,169	\$713

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.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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;
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.

At fiscal year end, the School District had \$4,698 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".

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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 \$3,515,091 and the bank balance was \$3,637,961. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,537,961 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	\$6,075,236	\$6,075,236
Totals	\$6,075,236	\$6,075,236

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	\$9,595,025	
Cash On Hand	(4,698)	
STAR Ohio	(6,075,236)	\$6,075,236
GASB Statement 3	\$3,515,091	\$6,075,236

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.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 2001. 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, 2001, was \$141,325 in the General Fund, \$46,204 in the Debt Service Fund, \$5,593 in the Permanent Improvement Capital Projects Fund, and \$3,441 in the Classroom Facilities Special Revenue Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$66,420,510	94%	\$69,661,207	95%
Public Utility	2,601,330	4%	2,494,200	3%
Tangible Personal Property	1,445,474	2%	1,308,855	2%
Total Assessed Value	<u>\$70,467,314</u>	<u>100%</u>	<u>\$73,464,262</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	\$34.10		\$41.16	

NOTE 8 - INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1998, 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, 2001, 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. The Intergovernmental Receivable in the Capital Projects Fund represents the State's share of the Classroom Facilities Assistance Program.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes Receivable	\$1,596,680
Income Tax	307,693
Special Revenue Fund	
Taxes Receivable	39,256
Intergovernmental	10,747
Debt Service	
Taxes Receivable	520,088
Capital Project Fund	
Taxes Receivable	66,769
Intergovernmental	18,071,225
Total Receivables	\$20,612,458

NOTE 10 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$79,823
Less: Accumulated Depreciation	(41,251)
Net Fixed Assets	\$38,572

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 7/01/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$362,010			\$362,010
Buildings and Improvements	1,693,601	\$159,332		1,852,933
Furniture and Equipment	1,174,228	65,755	\$143,390	1,096,593
Vehicles	543,936	49,292	54,342	538,886
Construction in Progress		335,555		335,555
Totals	\$3,773,775	\$609,934	\$197,732	\$4,185,977

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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 2001, the School District's insurance coverage was as follows:

Type of Coverage	Deductible	Liability Limit
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.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 21). 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, however, as of April 1, 2001 the School District was no longer self-insured for medical. 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 \$8,580 reported in the internal service fund at June 30, 2001 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
2000	\$50,176	\$460,696	\$453,507	\$57,365
2001	\$57,365	\$454,511	\$503,296	\$8,580

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(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, 2001, 2000, and 1999 were \$147,354, \$124,573, and \$79,536, respectively; 53 percent has been paid for fiscal year 2001 and 100 percent has been contributed for fiscal years 2000 and 1999. \$69,450 representing the unpaid contribution for fiscal year 2001, 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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, 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, 2001, 2000, and 1999 were \$458,741, \$411,092, and \$364,728, respectively; 80 percent has been contributed for fiscal year 2001 and 100 percent has been contributed for fiscal years 2000 and 1999. \$93,820 representing the unpaid contribution for fiscal year 2001 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, 2001, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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 to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 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, 2000, the allocation rate is 8.45 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 2000, 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 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 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 .6036, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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.

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.

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 \$187,886. 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 2001 totaled \$34,206 in the governmental funds

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	GLTDAG
2002	\$45,470
2003	45,471
2004	54,262
Total	\$145,203
Less: Amount Representing Interest	(17,896)
Present Value of Net Minimum Lease Payments	\$127,307

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 16 – NOTE DEBT

The School District has paid off outstanding notes as of June 30, 2001.

	Balance at 07/01/00	Additions	Deductions	Balance at 06/30/01
Capital Projects Funds:				
OSFC Notes	\$0	\$6,482,000	(\$6,482,000)	\$0

NOTE 17 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 07/01/00	Additions	Deductions	Balance at 06/30/01
Building Addition Bonds	\$12,000		\$12,000	
OSFC Bonds		\$6,481,995		\$6,481,995
Capital Appreciation Bonds		2,184		2,184
Energy Conservation Bonds	290,000		25,000	265,000
Long-Term Bonds & Notes	\$302,000	\$6,484,179	\$37,000	\$6,749,179
Capital Lease	161,513		34,206	127,307
Pension Obligation	31,210	16,538		47,748
Compensated Absences	303,126	45,712		348,838
Total Long-Term Obligations	<u>\$797,849</u>	<u>\$6,546,429</u>	<u>\$71,206</u>	<u>\$7,273,072</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, 2001. 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.

OSFC Bonds - The issuance consists of both current interest bonds, par value of \$6,145,000, and capital appreciation bonds, par value of \$815,000. The average interest rate on the current interest bonds is 4.49%. The capital appreciation bonds mature on December 1, 2011 (interest rate 7.78%), 2012 (interest rate 7.77%), and 2012 (interest rate 7.77%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The value reported in the General Long-Term Obligations Account Group at June 30, 2001 was \$336,995. The annual accretion of interest is based on the straight line method. Total accreted interest of \$2,184 has been included in the value. The final maturity stated in the issue is December 1, 2027.

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 \$129,789 with an unvoted debt margin of \$73,464 at June 30, 2001.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$100,000	\$379,251	\$479,251
2003	170,000	300,429	470,429
2004	200,000	293,768	493,768
2005	215,000	285,296	500,296
2006	230,000	275,996	505,996
2007-2011	1,130,000	1,233,491	2,363,491
2012-2016	924,179	1,559,989	2,484,168
2017-2021	1,855,000	739,774	2,594,774
2022-2026	1,650,000	232,390	1,882,390
2027-2028	275,000	14,222	289,222
Total	<u>\$6,749,179</u>	<u>\$5,314,606</u>	<u>\$12,063,785</u>

NOTE 18 - INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

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

NOTE 19 - 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, 2001.

	Food Service
Operating Revenues	\$129,828
Depreciation Expense	3,388
Operating (Loss)	(51,431)
Donated Commodities	12,939
Grants	40,753
Interest	1,600
Fixed Asset Additions	9,445
Net (Loss)	3,861
Net Working Capital	33,519
Total Assets	96,195
Total Liabilities	24,104
Total Equity	72,091

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

Tri-Rivers Educational Computer Association - The Tri-Rivers Educational Computer Association (TRECA) is a non-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 21 - 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.

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 22 - 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, 2001.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

NOTE 23 - 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.

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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	(\$28,583)	\$ 0	\$63,285	
Current Year Set-aside Requirement	126,143	126,143		
Reduction Authority Leg Rev			(49,034)	
Current Year Offsets		(53,640)		
Qualifying Disbursements	<u>(112,683)</u>	<u>(333,282)</u>		
Total	<u>(\$15,123)</u>	<u>(\$260,779)</u>	<u>\$14,251</u>	
Cash Balance Carried Forward to FY 2002	<u>(\$15,123)</u>	<u>(\$260,779)</u>	<u>\$14,251</u>	

The School District had qualifying disbursements and offsets during the year that reduced the textbook and capital acquisition set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$14,251.

NOTE 22 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 17, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS 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 general-purpose financial statements of the Centerburg Local School District, Knox County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 17, 2001, wherein we noted the District adopted Governmental Accounting Statements Nos. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 17, 2001.

Internal Control Over Financial Reporting

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

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

JIM PETRO
Auditor of State

December 17, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2002**