



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

---

**STATE OF OHIO**





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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**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, 2002 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 Centerburg Local School District as of June 30, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2003 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.

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**JIM PETRO**  
Auditor of State

January 6, 2003

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**Centerburg Local School District  
Knox County  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,011,451	\$144,248	\$179,681	\$14,054,442
Receivables:				
Taxes	1,600,957	38,013	496,416	64,816
Intergovernmental		44,880		9,019,267
Income Tax	317,391			
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	14,251			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b><u>\$3,944,050</u></b>	<b><u>\$227,141</u></b>	<b><u>\$676,097</u></b>	<b><u>\$23,138,525</u></b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$127,155	\$7,053		
Contracts Payable				\$1,368,585
Accrued Wages and Benefits	675,771	19,388		
Compensated Absences Payable	6,557			
Intergovernmental Payable	100,970			
Deferred Revenue	951,699	68,717	\$388,621	9,016,838
Due to Students				
Claims Payable				
Capital Leases Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>1,862,152</u>	<u>95,158</u>	<u>388,621</u>	<u>10,385,423</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	19,441	5,332		345,430
Reserved for Debt Service Principal			179,681	
Reserved for Property Taxes	649,258	14,176	107,795	22,893
Reserved for Budget Stabilization	14,251			
Unreserved:				
Unreserved, Undesignated	1,398,948	112,475		12,384,779
Total Fund Equity and Other Credits	<u>2,081,898</u>	<u>131,983</u>	<u>287,476</u>	<u>12,753,102</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$3,944,050</u></b>	<b><u>\$227,141</u></b>	<b><u>\$676,097</u></b>	<b><u>\$23,138,525</u></b>

*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	
\$42,144	\$119,847	\$64,989			\$16,616,802
					2,200,202
					9,064,147
4,203					317,391
					4,203
					14,251
80,525 (45,503)			\$7,241,610		7,322,135 (45,503)
				\$179,681	179,681
				7,046,863	7,046,863
<u>\$81,369</u>	<u>\$119,847</u>	<u>\$64,989</u>	<u>\$7,241,610</u>	<u>\$7,226,544</u>	<u>\$42,720,172</u>
		\$165			\$134,373
\$13,463					1,368,585
4,893				\$411,340	708,622
6,671				48,577	422,790
					156,218
					10,425,875
		39,173			39,173
	\$4,320				4,320
				90,562	90,562
				225,000	225,000
				6,451,065	6,451,065
<u>25,027</u>	<u>4,320</u>	<u>39,338</u>		<u>7,226,544</u>	<u>20,026,583</u>
			\$7,241,610		7,241,610
56,342	115,527				171,869
					370,203
					179,681
					794,122
					14,251
		25,651			13,921,853
<u>56,342</u>	<u>115,527</u>	<u>25,651</u>	<u>7,241,610</u>		<u>22,693,589</u>
<u>\$81,369</u>	<u>\$119,847</u>	<u>\$64,989</u>	<u>\$7,241,610</u>	<u>\$7,226,544</u>	<u>\$42,720,172</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, 2002**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Intergovernmental	\$4,274,229	\$200,488
Interest	76,119	75
Tuition and Fees	4,573	
Rent	1,700	
Extracurricular Activities		91,707
Gifts and Donations	800	2,137
Income Tax	701,775	
Property & Other Local Taxes	1,941,437	44,136
Miscellaneous	5	
Total Revenues	<u>7,000,638</u>	<u>338,543</u>
<b>Expenditures:</b>		
Instruction:		
Regular	3,038,181	34,920
Special	746,296	111,596
Vocational	147,456	
Other	144,288	
Support services:		
Pupils	132,572	17,717
Instructional Staff	93,399	
Board of Education	7,150	
Administration	748,054	
Fiscal	188,910	690
Operation and Maintenance of Plant	343,797	
Pupil Transportation	491,517	
Central		4,624
Extracurricular activities	127,407	99,399
Capital Outlay	365,181	
Debt Service		
Debt Service - Principal	65,249	
Debt Service - Interest	20,305	
Total Expenditures	<u>6,659,762</u>	<u>268,946</u>
Excess of Revenues Over (Under) Expenditures	<u>340,876</u>	<u>69,597</u>
<b>Other Financing Sources and Uses</b>		
Proceeds from Sale of Fixed Assets	167	
Refund of Prior Year Expenditures	16,491	
Other Financing Sources		1,372
Operating Transfers Out	(100,000)	
Total Other Financing Sources (Uses)	<u>(83,342)</u>	<u>1,372</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	257,534	70,969
Fund Balance at Beginning of Year	<u>1,824,364</u>	<u>61,014</u>
<b>Fund Balance at End of Year</b>	<u><u>\$2,081,898</u></u>	<u><u>\$131,983</u></u>

*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	
\$54,755	\$9,169,371		\$13,698,843
	244,614	\$238	321,046
			4,573
			1,700
	124,203		91,707
			127,140
			701,775
500,183	74,549		2,560,305
		13,000	13,005
<u>554,938</u>	<u>9,612,737</u>	<u>13,238</u>	<u>17,520,094</u>
	38,116	1,000	3,112,217
			857,892
			147,456
			144,288
	485		150,774
			93,399
			7,150
	56,857		804,911
9,065	1,224		199,889
	339		344,136
			491,517
			4,624
			226,806
	3,600,257		3,965,438
60,000	11,073		136,322
<u>365,241</u>	<u>2,103</u>		<u>387,649</u>
<u>434,306</u>	<u>3,710,454</u>	<u>1,000</u>	<u>11,074,468</u>
<u>120,632</u>	<u>5,902,283</u>	<u>12,238</u>	<u>6,445,626</u>
			167
			16,491
			1,372
			(100,000)
			<u>(81,970)</u>
120,632	5,902,283	12,238	6,363,656
166,844	6,850,819	13,413	8,916,454
<u>\$287,476</u>	<u>\$12,753,102</u>	<u>\$25,651</u>	<u>\$15,280,110</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, 2002**

	<b>Governmental Fund Types</b>		
	<b>General</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental	\$3,782,546	\$4,274,229	\$491,683
Interest	75,000	76,119	1,119
Tuition and Fees	4,500	4,573	73
Rent	2,000	1,700	(300)
Extracurricular Activities			
Gifts and Donations	900	800	(100)
Income Tax	702,000	692,077	(9,923)
Property & Other Local Taxes	1,406,260	1,390,904	(15,356)
Miscellaneous	10	5	(5)
<b>Total Revenues</b>	<b>5,973,216</b>	<b>6,440,407</b>	<b>467,191</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,474,370	3,067,828	406,542
Special	826,570	742,510	84,060
Vocational	168,656	151,690	16,966
Other	200,216	145,188	55,028
Support services:			
Pupils	158,665	132,150	26,515
Instructional Staff	118,423	95,363	23,060
Board of Education	10,318	7,150	3,168
Administration	836,019	727,254	108,765
Fiscal	221,779	190,190	31,589
Operation and Maintenance of Plant	436,663	346,250	90,413
Pupil Transportation	520,567	488,066	32,501
Central			
Extracurricular activities	144,983	127,308	17,675
Capital Outlay	375,000	369,144	5,856
Debt Service			
Debt Service - Principal	65,383	65,249	134
Debt Service - Interest	20,327	20,305	22
<b>Total Expenditures</b>	<b>7,577,939</b>	<b>6,675,645</b>	<b>902,294</b>
Excess of Revenues Over (Under) Expenditures	(1,604,723)	(235,238)	1,369,485
<b>Other Financing Sources and Uses</b>			
Proceeds from Sale of Fixed Assets	200	167	(33)
Refund of Prior Year Expenditures	16,000	16,491	491
Other Financing Sources			
Operating Transfers Out	(112,440)	(100,000)	12,440
Advances Out	(938)		938
<b>Total Other Financing Sources (Uses)</b>	<b>(97,178)</b>	<b>(83,342)</b>	<b>13,836</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,701,901)	(318,580)	1,383,321
Fund Balances at Beginning of Year	2,072,846	2,072,846	
Prior Year Encumbrances Appropriated	124,840	124,840	
<b>Fund Balance at end of Year</b>	<b>\$495,785</b>	<b>\$1,879,106</b>	<b>\$1,383,321</b>

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

**Governmental Fund Types**

<b>Special Revenue</b>			<b>Debt Service</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$258,264 75	\$200,488 75	(\$57,776)	\$54,500	\$54,755	\$255
93,000 2,050	91,707 2,137	(1,293) 87			
32,361	33,401	1,040	410,000	438,591	28,591
<u>385,750</u>	<u>327,808</u>	<u>(57,942)</u>	<u>464,500</u>	<u>493,346</u>	<u>28,846</u>
71,816 131,055	39,186 111,193	32,630 19,862			
51,486	17,674	33,812			
2,300	690	1,610	9,500	9,065	435
6,142 111,812	5,299 99,234	843 12,578			
			60,000 370,000	60,000 365,241	4,759
<u>374,611</u>	<u>273,276</u>	<u>101,335</u>	<u>439,500</u>	<u>434,306</u>	<u>5,194</u>
<u>11,139</u>	<u>54,532</u>	<u>43,393</u>	<u>25,000</u>	<u>59,040</u>	<u>34,040</u>
1,372	1,372				
<u>1,372</u>	<u>1,372</u>				
12,511	55,904	43,393	25,000	59,040	34,040
72,436 3,716	72,436 3,716		120,640	120,640	
<u>\$88,663</u>	<u>\$132,056</u>	<u>\$43,393</u>	<u>\$145,640</u>	<u>\$179,680</u>	<u>\$34,040</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, 2002  
(Continued)

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
Intergovernmental	\$6,386,455	\$9,115,018	\$2,728,563
Interest	243,500	244,614	1,114
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations	125,000	124,203	(797)
Income Tax			
Property & Other Local Taxes	54,845	57,249	2,404
Miscellaneous			
<b>Total Revenues</b>	<b>6,809,800</b>	<b>9,541,084</b>	<b>2,731,284</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	38,116	38,116	
Special			
Vocational			
Other			
Support services:			
Pupils	500	500	
Instructional Staff	3,000		3,000
Board of Education			
Administration	751,190	651,726	99,464
Fiscal	1,637	1,224	413
Operation and Maintenance of Plant	35,669	339	35,330
Pupil Transportation			
Central			
Extracurricular activities			
Capital Outlay	2,736,983	3,484,373	(747,390)
Debt Service			
Debt Service - Principal	17,301	11,073	6,228
Debt Service - Interest	5,800	2,103	3,697
<b>Total Expenditures</b>	<b>3,590,196</b>	<b>4,189,454</b>	<b>(599,258)</b>
Excess of Revenues Over (Under) Expenditures	3,219,604	5,351,630	2,132,026
<b>Other Financing Sources and Uses</b>			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
<b>Total Other Financing Sources (Uses)</b>			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,219,604	5,351,630	2,132,026
Fund Balances at Beginning of Year	6,895,449	6,895,449	
Prior Year Encumbrances Appropriated	151,190	151,190	
<b>Fund Balance at end of Year</b>	<b>\$10,266,243</b>	<b>\$12,398,269</b>	<b>\$2,132,026</b>

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



Fiduciary Trust Fund			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$10,481,765	\$13,644,490	\$3,162,725
\$235	\$238	\$3	318,810	321,046	2,236
			4,500	4,573	73
			2,000	1,700	(300)
			93,000	91,707	(1,293)
			127,950	127,140	(810)
			702,000	692,077	(9,923)
			1,903,466	1,920,145	16,679
13,000	13,000		13,010	13,005	(5)
13,235	13,238	3	13,646,501	16,815,883	3,169,382
9,000	1,000	8,000	3,593,302	3,146,130	447,172
			957,625	853,703	103,922
			168,656	151,690	16,966
			200,216	145,188	55,028
			210,651	150,324	60,327
			121,423	95,363	26,060
			10,318	7,150	3,168
			1,587,209	1,378,980	208,229
			235,216	201,169	34,047
			472,332	346,589	125,743
			520,567	488,066	32,501
			6,142	5,299	843
			256,795	226,542	30,253
			3,111,983	3,853,517	(741,534)
			142,684	136,322	6,362
			396,127	387,649	8,478
9,000	1,000	8,000	11,991,246	11,573,681	417,565
4,235	12,238	8,003	1,655,255	5,242,202	3,586,947
			200	167	(33)
			16,000	16,491	491
			1,372	1,372	
			(112,440)	(100,000)	12,440
			(938)		938
			(95,806)	(81,970)	13,836
4,235	12,238	8,003	1,559,449	5,160,232	3,600,783
13,413	13,413		9,174,784	9,174,784	
			279,746	279,746	
\$17,648	\$25,651	\$8,003	\$11,013,979	\$14,614,762	\$3,600,783

**Centerburg Local School District  
Knox County  
Statement of Revenues, Expenses  
and Changes in Retained Earnings  
Proprietary Fund Types  
For the Year Ended June 30, 2002**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	
<b>Operating Revenues:</b>			
Sales	\$142,189		\$142,189
Charges for Services		\$26,690	26,690
Total Operating Revenues	<u>142,189</u>	<u>26,690</u>	<u>168,879</u>
<b>Operating Expenses</b>			
Salaries	57,023		57,023
Fringe Benefits	26,634		26,634
Purchased Services	3,556	58,617	62,173
Materials and Supplies	124,403		124,403
Depreciation	4,252		4,252
Total Operating Expenses	<u>215,868</u>	<u>58,617</u>	<u>274,485</u>
Operating Income (Loss)	<u>(73,679)</u>	<u>(31,927)</u>	<u>(105,606)</u>
<b>Non-Operating Revenues and Expenses</b>			
Federal Donated Commodities	17,191		17,191
Interest	774	611	1,385
Federal and State Subsidies	39,965		39,965
Total Non-Operating Revenues and Expenses	<u>57,930</u>	<u>611</u>	<u>58,541</u>
Income (Loss) Before Operating Transfers	<u>(15,749)</u>	<u>(31,316)</u>	<u>(47,065)</u>
Operating Transfers-In		<u>100,000</u>	<u>100,000</u>
Net Income (Loss)	<u>(15,749)</u>	<u>68,684</u>	<u>52,935</u>
Retained Earnings at Beginning of Year	<u>72,091</u>	<u>46,843</u>	<u>118,934</u>
Retained Earnings at End of Year	<u>\$56,342</u>	<u>\$115,527</u>	<u>\$171,869</u>

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

**Centerburg Local School District  
Knox County  
Statement of Cash Flows  
Proprietary Fund Types  
For the Year Ended June 30, 2002**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$142,189		\$142,189
Cash Received from Charges for Services		\$26,690	26,690
Cash Payments to Suppliers for Goods and Service	(107,147)		(107,147)
Cash Payments for Contract Services	(3,556)	(62,877)	(66,433)
Cash Payments for Employee Services	(56,206)		(56,206)
Cash Payments for Employee Benefits	(24,340)		(24,340)
Net Cash Provided (Used) by Operating Activities	<u>(49,060)</u>	<u>(36,187)</u>	<u>(85,247)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	39,965		39,965
Operating Transfer In		100,000	100,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>39,965</u>	<u>100,000</u>	<u>139,965</u>
Cash Flows from Investing Activities:			
Interest Received	774	611	1,385
Net Cash Provided (Used) by Investing Activities	<u>774</u>	<u>611</u>	<u>1,385</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(2,851)		(2,851)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,851)</u>		<u>(2,851)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,172)	64,424	53,252
Cash and Cash Equivalents at Beginning of Year	53,316	55,423	108,739
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$42,144</u>	<u>\$119,847</u>	<u>\$161,991</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$73,679)	(\$31,927)	(\$105,606)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	4,252		4,252
Donated Commodities Used During the Year	17,191		17,191
Adjustments to Capital Outlay	2,149		2,149
(Increase) Decrease in Assets:			
Material and Supplies Inventory	104		104
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	452		452
Intergovernmental Payable	1,807		1,807
Deferred Revenue	(2,188)		(2,188)
Claims Payable		(4,260)	(4,260)
Accrued Wages and Benefits	852		852
Total Adjustments	<u>24,619</u>	<u>(4,260)</u>	<u>20,359</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(\$49,060)</u>	<u>(\$36,187)</u>	<u>(\$85,247)</u>

**Non Cash Noncapital Activities**

Federal donated commodities in the amount of \$ 17,191 were recorded as revenue when received in the food service enterprise fund

*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, 2002**

**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 471st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 35 non-certificated employees, and 75 certificated full-time teaching personnel who provide services to 1,099 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 18 and 19 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.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

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

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

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

*Governmental Fund Types:*

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

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

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

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

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

*Proprietary Fund Types:*

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

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

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

*Internal Service Fund* - Internal service fund is used account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Types:*

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

*Account Groups:*

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

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.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**B. Measurement Focus and Basis of Accounting (Continued)**

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, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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 6) 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 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 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.

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.

**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.



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**C. Budgetary Process (Continued)**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. 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.

*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 2002.

*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. 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 total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

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

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

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**C. Budgetary Process (Continued)**

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2002, 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 2002. 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, 2002.

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, 2002 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.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**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.

**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
- Ohio Reads Grant
- Title VI-B
- Title I
- Title VI
- Drug-Free Schools
- Telecomm (E-Rate)
- Teacher Mini-Grant
- Title VI-R
- Safe School

*Capital Projects Funds*

- School Net

*Reimbursable Grants*

*General Fund*

- Driver Education

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**H. Intergovernmental Revenues (Continued)**

*Proprietary Funds*

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 80 percent of the School District's operating revenue during the 2002 fiscal year.

**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.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**L. Interfund Transactions**

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

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

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 20 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, 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 – ACCOUNTABILITY AND COMPLIANCE**

**Accountability – Fund Deficits**

At June 30, 2002, the Title VI-B and Title I Funds had a deficit fund balances of \$917 and \$6,469, which were 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, 2002  
(Continued)**

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)**

**Non Compliance - Budgetary**

Contrary to 5705.41(B), expenditures plus outstanding encumbrances exceeded appropriations in the following funds:

Fund	Variance
004 Building/Auditorium	(\$65,005)
010 School Construction Fund	(591,740)
450 School Net #3	(9,880)
452 School Net Professional Development	(2,299)

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The 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	(\$318,580)	\$55,904	\$59,040	\$5,351,630	\$12,238
Net Adjustment for Revenue Accruals	550,231	10,735	61,591	17,300	
Net Adjustment for Expenditure Accruals	(120,713)	(7,862)		(1,122,820)	
Adjustment for Encumbrances	146,596	12,192		1,656,173	
GAAP Basis	<u>\$257,534</u>	<u>\$70,969</u>	<u>\$120,632</u>	<u>\$5,902,283</u>	<u>\$12,238</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

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 \$4,639 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$646,339 and the bank balance was \$735,511. Of the bank balance, \$100,000 was covered by federal depository insurance and \$635,511 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.

	<u>Carrying Value</u>	<u>Market Value</u>
STAR Ohio	<u>\$15,980,075</u>	<u>\$15,980,075</u>

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:



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$16,631,053	
Cash On Hand	(4,639)	
STAR Ohio	(15,980,075)	\$15,980,075
GASB Statement 3	\$646,339	\$15,980,075

**NOTE 6 - PROPERTY TAXES**

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Knox, Delaware, and Licking Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2002 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, 2002. 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, 2002, was \$649,258 in the General Fund, \$107,795 in the Debt Service Fund, \$22,893 in the Permanent Improvement Capital Projects Fund, and \$14,176 in the Classroom Facilities Special Revenue Fund.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$69,661,207	95%	\$71,963,570	94%
Public Utility	2,494,200	3%	2,746,190	4%
Tangible Personal Property	1,308,855	2%	1,449,020	2%
Total Assessed Value	\$73,464,262	100%	\$76,158,780	100%
Tax rate per \$1,000 of Assessed valuation	\$41.16		\$41.16	

**NOTE 7 - 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 8 - RECEIVABLES**

Receivables at June 30, 2002, 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.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes Receivable	\$1,600,957
Income Tax	317,391
Special Revenue Fund	
Taxes Receivable	38,013
Intergovernmental	44,880
Debt Service	
Taxes Receivable	496,416
Capital Project Fund	
Taxes Receivable	64,816
Intergovernmental	9,019,267
Total Receivables	\$11,581,740

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$80,525
Less: Accumulated Depreciation	<u>(45,503)</u>
Net Fixed Assets	<u><u>35,022</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 7/01/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$362,010			\$362,010
Buildings and Improvements	1,852,933	\$23,970		1,852,933
Furniture and Equipment	1,096,593	249,072	\$9,058	1,336,607
Vehicles	538,886	100,772	74,549	565,109
Construction in Progress	335,555	2,869,222	103,796	3,100,981
Totals	<u>\$4,185,977</u>	<u>\$3,243,036</u>	<u>\$187,403</u>	<u>\$7,241,610</u>

**NOTE 10 - 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 2002, the School District's insurance coverage was as follows:

Type of Coverage	Deductible	Liability Limit
Building and Contents-replacement cost	\$500	\$14,239,546
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 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

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 \$4,320 reported in the internal service fund at June 30, 2002 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
2001	\$57,365	\$454,511	\$503,296	\$8,580
2002	\$8,580	\$58,617	\$62,877	\$4,320

**NOTE 11 - 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of 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 contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$154,226, \$147,354, and \$124,573, respectively; 62 percent has been paid for fiscal year 2002 and 100 percent has been contributed for fiscal years 2001 and 2000. \$58,410 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**B. State Teachers Retirement System (Continued)**

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002, 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, 2002, 2001, and 2000 were \$488,756, \$458,741, and \$411,092, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent has been contributed for fiscal years 2001 and 2000. \$70,100 representing the unpaid contribution for fiscal year 2002 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, 2002, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 - 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 Part B 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 monthly premiums.

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, 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 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.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

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, 2002, the allocation rate is 9.80 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 2002, 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, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 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 .70, then adding the surcharge due as of June 30, 2002, as certified to your district by SERS.

**NOTE 13 - 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 200 days for administrative personnel and 184 days for all other personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for administrative employees of 46 days for all other 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 14 - 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.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)**

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 2002 totaled \$36,319 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, 2002.

Fiscal Year Ending June 30,	GLTDAG
2003	\$45,471
2004	54,262
Total	\$99,733
Less: Amount Representing Interest	9,171
Present Value of Net Minimum Lease Payments	\$90,562

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Balance at 07/01/01	Additions	Deductions	Balance at 06/30/02
OSFC Bonds	\$6,481,995		\$60,000	\$6,421,995
Capital Appreciation Bonds	2,184	\$26,886		29,070
Energy Conservation Bonds	265,000		40,000	225,000
Long-Term Bonds & Notes	\$6,749,179	\$26,886	\$100,000	\$6,676,065
Capital Lease	127,307		36,745	90,562
Pension Obligation	47,748	829		48,577
Compensated Absences	348,838	62,502		411,340
Total Long-Term Obligations	\$7,273,072	\$90,217	\$136,745	\$7,226,544

*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.

*Ohio School Facility Commission (OSFC) Bonds* - These bonds were issued for the construction or a new school and renovations of previously built schools. 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, 2002 was \$336,995. The annual accretion of interest is based on the straight line method. Total accreted interest of \$26,886 has been included in the value. The final maturity stated in the issue is December 1, 2027.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

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 and the general fund.

The School District's voted legal debt margin was \$6,854,290 with an unvoted debt margin of \$76,159 at June 30, 2002.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
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	230,000	266,101	496,101
2008-2012	1,028,300	1,336,524	2,364,824
2013-2017	1,147,765	1,374,968	2,522,733
2018-2022	1,975,000	643,129	2,618,129
2023-2027	1,340,000	155,556	1,495,556
2028	140,000	3,587	143,587
Total	<u>\$6,676,065</u>	<u>\$4,935,354</u>	<u>\$11,611,419</u>

**NOTE 16 - 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, 2002.

	Food Service
Operating Revenues	\$142,189
Depreciation Expense	4,252
Operating (Loss)	(73,679)
Donated Commodities	17,191
Grants	39,965
Interest	774
Net (Loss)	(15,749)
Fixed Asset Additions	702
Net Working Capital	18,642
Total Assets	81,369
Total Liabilities	25,027
Total Equity	56,342



**CENTERBURG LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

**NOTE 18 - 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 19 - 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, 2002.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 20 - 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>
Set-aside Cash Balance as of June 30, 2001	(\$15,123)	(\$260,779)	\$14,251
Current Year Set-aside Requirement	119,877	119,877	
Current Year Offsets		(57,249)	
Qualifying Disbursements	<u>(118,304)</u>	<u>(263,449)</u>	
Total	<u>(\$13,550)</u>	<u>(\$461,600)</u>	<u>\$14,251</u>
Cash Balance Carried Forward to FY 2003	<u>(\$13,550)</u>	<u>(\$461,600)</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. The extra amount in textbooks and capital acquisition 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 21 - CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Accurate Electric Construction	\$1,299,538
Carl's Plumbing & Heating, Inc.	1,623,470
Corna/Kokosing Construction Co.	8,726,654
Goodin Electric, Inc.	652,696
Johnson Controls, Inc.	377,624
Metzger Gleisinger Mechanical, Inc	1,222,358
Romanoff Mechanical	632,767
S.A. Comunale, Inc.	407,210
Stonecreek Interior Systems, Inc	533,140
Thomas Glass Company	126,000
Total	<u>\$15,601,457</u>

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**NOTE 22 - SUBSEQUENT EVENT**

**State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of the Centerburg Local School District, Knox County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 6, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item **2002-10642-001**. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 6, 2003.

**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.

Centerburg Local School District  
Knox County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

This report is intended solely 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**JIM PETRO**  
Auditor of State

January 6, 2003

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**JUNE 30, 2002**

**SCHEDULE OF FINDING**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2002-10642-001**

**Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At June 30, 2002, fund level expenditures plus outstanding encumbrances exceeded appropriations in the following funds:

<b>Fund</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
004 Building/Auditorium	\$198,437	\$263,442	(\$65,005)
010 School Construction Fund	3,243,933	3,835,673	(591,740)
450 School Net #3	28,236	38,116	(9,880)
452 School Net Professional Development	3,000	5,299	(2,299)

The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level to avoid potential overspending.

In addition to the above, we noted several instances where appropriations posted to the District's Budgetary Ledgers did not agree with appropriations and/or amended receipts that were approved by the Board or filed with the County Budget Commission. Adjustments were made to the Budgetary financial statements to properly reflect Budgetary amounts certified to the County Budget Commission. The Treasurer should assure that appropriations approved by the Board are reconciled to what is posted to the Budgetary Ledgers of the District.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
FEBRUARY 11, 2003**