



**Auditor of State
Betty Montgomery**

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

February 15, 2005

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

The discussion and analysis of Centerburg Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2004 are as follows:

- In total, assets decreased by \$754,207.
- Revenues for governmental activities totaled \$9,898,856 in 2004. Of this total, 89.5 percent consisted of general revenues while program revenues accounted for the balance of 10.5 percent.
- Program expenses totaled \$9,212,659. Instructional expenses made up 57.7 percent of this total while support services accounted for 32.8 percent. Other expenses rounded out the remaining 9.5 percent.
- Outstanding general obligation bonded debt decreased to \$6,366,399 from \$6,535,082 in 2004.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes pertaining to those statements. The statements are organized so the reader can understand the Centerburg Local School District as a financial whole, or complete operating entity.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Centerburg Local School District, the general fund, the bond retirement debt service fund and the Ohio school facilities capital projects fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2004?" The *Statement of Net Assets* and *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

Centerburg Local School District
Management's Discussion and Analysis
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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors. Non-financial factors may include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Assets and the Statement of Activities, all School District activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement debt service fund and the Ohio school facilities capital projects fund.

Governmental Funds

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

Centerburg Local School District
Management's Discussion and Analysis
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Unaudited

Table 1
Net Assets
Governmental Activities

	2004	2003
Assets		
Current and Other Assets	\$7,658,133	\$12,689,919
Capital Assets, Net	24,595,262	20,317,683
<i>Total Assets</i>	<u>32,253,395</u>	<u>33,007,602</u>
Liabilities		
Current Liabilities	3,123,895	4,360,728
Long-Term Liabilities:		
Due Within One Year	231,450	243,399
Due in More Than One Year	6,641,897	6,833,519
<i>Total Liabilities</i>	<u>9,997,242</u>	<u>11,437,646</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	18,318,267	16,970,503
Restricted for:		
Capital Projects	1,027,916	2,237,656
Debt Service	551,821	375,945
Set Asides	78,536	14,361
Other Purposes	198,392	186,359
Unrestricted	<u>2,081,221</u>	<u>1,785,132</u>
<i>Total Net Assets</i>	<u><u>\$22,256,153</u></u>	<u><u>\$21,569,956</u></u>

Total assets decreased by \$754,207. The majority of this decrease is in cash and can be attributed directly to the construction of new elementary and high schools. This decrease is due to purchases for the new buildings that did not meet the capitalization threshold.

Total liabilities decreased by \$1,440,404, due to associated costs of the Ohio School Facilities Commission building project. Contracts payable decreased by over \$1.1 million along with the School District paying \$200,000 on long-term debt.

By comparing assets and liabilities, one can see the overall position of the School District has increased slightly as evidenced by the increase in net assets of \$686,197.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$8,863,731 or 89.5 percent of the total revenue. The most significant portions of the general revenue are grants and entitlements, and local property tax. The remaining amount of revenue received was in the form of program revenues, which equals \$1,035,125 or 10.5 percent of total revenue.

Centerburg Local School District
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Table 2 shows the changes in net assets for fiscal year 2004 compared to 2003:

Table 2
Changes in Net Assets
Governmental Activities

	2004	2003
Revenues		
Program Revenues:		
Charges for Services and Sales	\$327,645	\$232,220
Operating Grants, Contributions and Interest	449,464	364,101
Capital Grants and Contributions	258,016	184,881
Total Program Revenues	1,035,125	781,202
General Revenues:		
Property Taxes	2,737,104	1,834,247
Income Taxes	757,226	656,899
Grants and Entitlements	5,229,593	4,565,401
Investment Earnings	61,413	196,467
Miscellaneous	78,395	1,285
Total General Revenues	8,863,731	7,254,299
Total Revenues	9,898,856	8,035,501
Program Expenses		
Instruction:		
Regular	4,040,247	3,730,534
Special	1,083,616	1,074,335
Vocational	193,216	152,320
Support Services:		
Pupils	327,503	233,523
Instructional Staff	140,466	96,953
Board of Education	6,745	7,473
Administration	837,356	853,485
Fiscal	262,667	205,566
Operation and Maintenance of Plant	796,054	528,517
Pupil Transportation	638,074	509,582
Central	14,170	16,401
Food Service Operations	268,891	201,318
Extracurricular Activities	280,793	240,199
Interest and Fiscal Charges	322,861	302,513
Total Program Expenses	9,212,659	8,152,719
Increase/Decrease in Net Assets	686,197	(117,218)
<i>Net Assets Beginning of Year</i>	21,569,956	21,687,174
<i>Net Assets End of Year</i>	\$22,256,153	\$21,569,956

Centerburg Local School District
Management's Discussion and Analysis
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Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. A permanent improvement renewal levy for capital expenditures was approved in November 2003 for 1.5 mills. This levy lessens the burden of ongoing building maintenance and repair costs to the general fund and will run for five years, generating approximately \$69,000 in tax revenue per year. This amount supplements the revenues from prior levies.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 57.7 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff, transportation and business operations encompass 32.8 percent. The remaining amount of program expenses, 9.5 percent, is budgeted to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

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

Table 3
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Governmental Activities:				
Instruction:				
Regular	\$4,040,247	(\$3,874,270)	\$3,730,534	(\$3,468,960)
Special	1,083,616	(879,110)	1,074,335	(879,765)
Vocational	193,216	(193,216)	152,320	(152,320)
Support Services:				
Pupils	327,503	(260,198)	233,523	(223,764)
Instructional Staff	140,466	(111,305)	96,953	(96,953)
Board of Education	6,745	(6,745)	7,473	(7,473)
Administration	837,356	(647,287)	853,485	(853,485)
Fiscal	262,667	(262,667)	205,566	(205,566)
Operation and Maintenance of Plant	796,054	(796,054)	528,517	(528,517)
Pupil Transportation	638,074	(638,074)	509,582	(486,277)
Central	14,170	(2,245)	16,401	(2,651)
Food Service Operations	268,891	(34,392)	201,318	(15,471)
Extracurricular Activities	280,793	(149,110)	240,199	(147,802)
Interest and Fiscal Charges	322,861	(322,861)	302,513	(302,513)
Total	\$9,212,659	(\$8,177,534)	\$8,152,719	(\$7,371,517)

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As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 29.7 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 56.8 percent, while investment and other miscellaneous type revenues help support the remaining activity costs. Program revenues account for 11.2 percent of all governmental expenses.

School District's Funds

Information regarding the School District's major funds can be found on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,104,004 and expenditures of \$13,678,190. The net change in fund balance for the year was most significant in the Ohio school facilities fund, of a decrease of \$3,942,087 due to use of the cash for construction costs.

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, the School District did not need to amend its general fund budget. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the General fund, the final budget basis estimated revenue and appropriations were the same as the original budget estimates.

The general fund's unencumbered ending cash balance totaled \$2,130,967, which was much above the original budgeted amount of \$351,419.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$24,595,262 invested in land, buildings and improvements, furniture and fixtures and vehicles. Table 4 shows fiscal 2004 values compared to 2003. More detailed information is presented in Note 10 to the basic financial statements.

Table 4
Capital Assets at June 30
Governmental Activities

	2004	2003
Land	\$362,010	\$362,010
Buildings and Improvements	23,306,632	65,211
Furniture and Fixtures	601,845	565,834
Vehicles	324,775	314,726
Construction In Progress	0	19,009,902
<i>Total Capital Assets</i>	\$24,595,262	\$20,317,683

Centerburg Local School District
Management's Discussion and Analysis
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Unaudited

All capital assets, except land, are reported net of depreciation. As one can see, there was an increase in capital assets during the fiscal year, mainly due to buildings and improvements, as a result of the Ohio School Facilities Commission building projects.

Debt

At June 30, 2004 the School District had \$6,216,399 of Ohio school facilities construction bonds and \$150,000 of energy conservation bonds outstanding. Table 5 below summarizes the School District's bonds outstanding. More detailed information is presented in Note 11 to the basic financial statements.

Table 5
Outstanding Debt at Year End
Governmental Activities

	2004	2003
Energy Conservation Bonds	\$150,000	\$195,000
Ohio School Facilities Commission Bonds	6,216,399	6,340,082
<i>Total</i>	\$6,366,399	\$6,535,082

The 2001 school facilities bonds were issued for the local share of the School District's approved master plan with the Ohio School Facilities Commission. These bonds will be fully repaid in calendar year 2027. The energy conservation notes were issued for capital improvements under House Bill 264. Improvements were approved by the Ohio Department of Education for energy conservation measures resulting in operating cost savings. These bonds will be fully repaid in calendar year 2007.

The School District's overall legal debt margin was \$2,437,486 with an unvoted debt margin of \$90,870. The School District maintains a bond rating of Aaa by Moody's.

Current Issues Affecting Financial Condition

Centerburg Local School District has a strong financial outlook. The School District maintains a program of educational excellence. In 2004, Centerburg Local School District earned a continuous improvement rating with meeting 11 out of 18 score on the State Report Card. The School District met Adequate Yearly Progress as defined by the No Child Left Behind Act.

The financial future of the School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must continue to rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system, and budget cuts at the State level.

On August 14, 2000, the State Controlling Board approved the School District's participation in the Facilities Program with \$4,682,000 as the local share of twenty percent and \$18,725,528 as the State share of eighty percent. The School District decided to meet its local share by issuing bonds. In addition, the School District decided to fund its maintenance obligation for the project with a one-half mill levy.

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
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Although the School District relies heavily on its property taxpayers to support its operations, the community support for the school is very strong. On November 7, 2000, the voters approved all of the following:

- 1.70 mill levy not to exceed 27 years, for the purpose of adding an auditorium to the high school construction plan
- 4.86 mill levy not to exceed 23 years, for the local share of the Ohio School Facilities building project
- .50 mill levy not to exceed 23 years, for maintenance of the new facilities built during the Ohio School Facilities building project

The community last passed an operating levy May, 1986, for a continuing period of time. The above mentioned building issues were approved the initial time on the ballot. In May 1997, the School District passed an increase to their income tax rate of .25 percent, which brought the income tax rate to a total current collection rate of .75 percent. The income tax is a very valuable tool as Centerburg has evolved from an agricultural community to a bedroom community of Columbus.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. In September 2001, the Ohio Supreme Court issued an opinion regarding the State's school funding system. The decision identified aspects of the current plan that require modification. In general, it is expected that the decision would result in an increase in overall State funding for education. On December 11, 2002, the Ohio Supreme Court issued its opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, on its future State funding and on its financial operations.

Centerburg Local School District has not anticipated any meaningful growth in State revenue due to the concern the State may require the redistribution of commercial and industrial property taxes.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years. The new larger facilities are proving to be a challenge to maintain. Utility costs are increasing at a rate far greater than revenue. At this time, the board is looking into some cost cutting measures, primarily in transportation services. If there is no resolution of the state funding issue, the District will be forced to seek additional funding from the taxpayers by fiscal year 2008.

In summary, the Centerburg Local School District has committed itself to financial and educational excellence for many years to come.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ellen Ratliff, Treasurer, at Centerburg Local School District, 175 Union Street, Centerburg, Ohio 43011, or email at ellen_r@treca.org.

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Centerburg Local School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,075,188
Cash and Cash Equivalents with Escrow Agent	622,566
Cash and Cash Equivalents in Segregated Accounts	88,677
Accounts Receivable	70,789
Intergovernmental Receivable	3,470
Inventory Held for Resale	7,702
Materials and Supplies Inventory	1,790
Income Tax Receivable	290,981
Property Taxes Receivable	2,496,970
Nondepreciable Capital Assets	362,010
Depreciable Capital Assets, Net	<u>24,233,252</u>
<i>Total Assets</i>	<u>32,253,395</u>
Liabilities	
Accounts Payable	49,056
Contracts Payable	183,131
Accrued Wages Payable	670,740
Intergovernmental Payable	173,246
Deferred Revenue	1,396,669
Claims Payable	3,690
Accrued Interest Payable	24,797
Retainage Payable	622,566
Long-Term Liabilities:	
Due Within One Year	231,450
Due In More Than One Year	<u>6,641,897</u>
<i>Total Liabilities</i>	<u>9,997,242</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	18,318,267
Restricted for:	
Capital Projects	1,027,916
Debt Service	551,821
Set Asides	78,536
Other Purposes	198,392
Unrestricted	<u>2,081,221</u>
<i>Total Net Assets</i>	<u><u>\$22,256,153</u></u>

See accompanying notes to the basic financial statements

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$4,040,247	\$22,362	\$73,981	\$69,634	(\$3,874,270)
Special	1,083,616	0	204,506	0	(879,110)
Vocational	193,216	0	0	0	(193,216)
Support Services:					
Pupils	327,503	0	67,305	0	(260,198)
Instructional Staff	140,466	0	29,161	0	(111,305)
Board of Education	6,745	0	0	0	(6,745)
Administration	837,356	0	1,687	188,382	(647,287)
Fiscal	262,667	0	0	0	(262,667)
Operation and Maintenance of Plant	796,054	0	0	0	(796,054)
Pupil Transportation	638,074	0	0	0	(638,074)
Central	14,170	0	11,925	0	(2,245)
Food Service Operations	268,891	175,215	59,284	0	(34,392)
Extracurricular Activities	280,793	130,068	1,615	0	(149,110)
Interest and Fiscal Charges	322,861	0	0	0	(322,861)
<i>Totals</i>	<u>\$9,212,659</u>	<u>\$327,645</u>	<u>\$449,464</u>	<u>\$258,016</u>	<u>(8,177,534)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	2,045,357
Debt Service	554,513
Capital Projects	137,234
Income Taxes Levied for General Purposes	757,226
Grants and Entitlements not Restricted to Specific Programs	5,229,593
Investment Earnings	61,413
Miscellaneous	78,395
<i>Total General Revenues</i>	<u>8,863,731</u>
Change in Net Assets	686,197
<i>Net Assets Beginning of Year</i>	<u>21,569,956</u>
<i>Net Assets End of Year</i>	<u>\$22,256,153</u>

See accompanying notes to the basic financial statements

Centerburg Local School District

Balance Sheet

Governmental Funds

June 30, 2004

	<u>General</u>	<u>Bond Retirement</u>	<u>Ohio School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,152,285	\$397,540	\$597,093	\$849,734	\$3,996,652
Cash and Cash Equivalents with Escrow Agent	0	0	622,566	0	622,566
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	78,536	0	0	0	78,536
Accounts Receivable	68,517	0	0	2,272	70,789
Intergovernmental Receivable	3,470	0	0	0	3,470
Interfund Receivable	43,000	0	0	0	43,000
Property Taxes Receivable	1,828,331	561,186	0	107,453	2,496,970
Income Tax Receivable	290,981	0	0	0	290,981
Inventory Held for Resale	0	0	0	7,702	7,702
Materials and Supplies Inventory	0	0	0	1,790	1,790
<i>Total Assets</i>	<u>\$4,465,120</u>	<u>\$958,726</u>	<u>\$1,219,659</u>	<u>\$968,951</u>	<u>\$7,612,456</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$43,578	\$0	\$500	\$4,978	\$49,056
Contracts Payable	0	0	183,131	0	183,131
Accrued Wages Payable	623,120	0	0	47,620	670,740
Interfund Payable	0	0	0	43,000	43,000
Retainage Payable	0	0	622,566	0	622,566
Intergovernmental Payable	98,528	0	0	9,710	108,238
Deferred Revenue	1,143,658	422,529	0	65,454	1,631,641
<i>Total Liabilities</i>	<u>1,908,884</u>	<u>422,529</u>	<u>806,197</u>	<u>170,762</u>	<u>3,308,372</u>
Fund Balances					
Reserved for Encumbrances	82,092	0	354,685	222,766	659,543
Reserved for Property Taxes	684,673	138,657	0	41,999	865,329
Reserved for Textbooks	29,162	0	0	0	29,162
Reserved for Capital Improvements	49,374	0	0	0	49,374
Unreserved, Undesignated					
Reported in:					
General Fund	1,710,935	0	0	0	1,710,935
Special Revenue Funds	0	0	0	170,014	170,014
Debt Service Fund	0	397,540	0	0	397,540
Capital Projects Funds	0	0	58,777	363,410	422,187
<i>Total Fund Balances</i>	<u>2,556,236</u>	<u>536,197</u>	<u>413,462</u>	<u>798,189</u>	<u>4,304,084</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,465,120</u>	<u>\$958,726</u>	<u>\$1,219,659</u>	<u>\$968,951</u>	<u>\$7,612,456</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	\$4,304,084
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	24,595,262
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to delinquent property taxes.	234,972
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	84,987
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Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(65,008)
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(24,797)
--	----------

Long-term liabilities, including bonds payable, capital leases and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(506,948)
General Obligation Bonds	<u>(6,366,399)</u>

Total	<u>(6,873,347)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$22,256,153</u></u>
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Centerburg Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,985,152	\$554,041	\$0	\$132,872	\$2,672,065
Income Taxes	1,028,202	0	0	0	1,028,202
Intergovernmental	5,148,694	68,987	188,382	482,611	5,888,674
Interest	31,550	0	22,746	6,328	60,624
Tuition and Fees	17,644	0	0	237	17,881
Extracurricular Activities	0	0	0	129,831	129,831
Contributions and Donations	0	0	0	48,399	48,399
Charges for Services	0	0	0	175,215	175,215
Rentals	4,718	0	0	0	4,718
Miscellaneous	78,395	0	0	0	78,395
<i>Total Revenues</i>	<u>8,294,355</u>	<u>623,028</u>	<u>211,128</u>	<u>975,493</u>	<u>10,104,004</u>
Expenditures					
Current:					
Instruction:					
Regular	3,580,576	0	0	80,733	3,661,309
Special	793,777	0	0	252,375	1,046,152
Vocational	168,560	0	0	0	168,560
Support Services:					
Pupils	237,539	0	0	74,223	311,762
Instructional Staff	99,872	0	0	35,561	135,433
Board of Education	6,821	0	0	0	6,821
Administration	831,873	0	0	2,552	834,425
Fiscal	249,971	10,470	0	723	261,164
Operation and Maintenance of Plant	781,253	0	0	0	781,253
Pupil Transportation	579,204	0	0	0	579,204
Central	0	0	0	14,170	14,170
Food Service Operations	0	0	0	242,964	242,964
Extracurricular Activities	166,569	0	0	125,028	291,597
Capital Outlay	16,950	0	4,153,215	629,929	4,800,094
Debt Service:					
Principal Retirement	95,729	155,000	0	0	250,729
Interest and Fiscal Charges	9,390	283,163	0	0	292,553
<i>Total Expenditures</i>	<u>7,618,084</u>	<u>448,633</u>	<u>4,153,215</u>	<u>1,458,258</u>	<u>13,678,190</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	676,271	174,395	(3,942,087)	(482,765)	(3,574,186)
Other Financing Sources					
Proceeds from Sale of Capital Assets	1,211	0	0	0	1,211
<i>Net Change in Fund Balances</i>	677,482	174,395	(3,942,087)	(482,765)	(3,572,975)
<i>Fund Balances Beginning of Year</i>	<u>1,878,754</u>	<u>361,802</u>	<u>4,355,549</u>	<u>1,280,954</u>	<u>7,877,059</u>
<i>Fund Balances End of Year</i>	<u>\$2,556,236</u>	<u>\$536,197</u>	<u>\$413,462</u>	<u>\$798,189</u>	<u>\$4,304,084</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds (\$3,572,975)

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

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

Capital Asset Additions	4,852,679
Depreciation	<u>(516,906)</u>

Total	4,335,773
-------	-----------

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(58,194)

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

Property Taxes	65,039
Income Taxes	<u>(270,976)</u>

Total	(205,937)
-------	-----------

Repayment of bonds and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bonds	200,000
Capital Leases	<u>50,729</u>

Total	250,729
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	1,009
Bond Accretion	<u>(31,317)</u>

Total	(30,308)
-------	----------

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

Compensated Absences	(15,841)
Pension Obligation	<u>(506)</u>

Total	(16,347)
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The internal service fund used by management to charge the costs of prescription drug insurance is included in the statement of activities and not on the governmental fund statement of revenues and expenditures.

(16,544)

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$686,197</u></u>
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See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,628,000	\$1,628,000	\$1,632,132	\$4,132
Income Taxes	739,268	739,268	737,221	(2,047)
Intergovernmental	4,544,300	4,544,300	5,145,224	600,924
Interest	52,500	52,500	31,526	(20,974)
Tuition and Fees	29,400	29,400	17,644	(11,756)
Contributions and Donations	300	300	0	(300)
Rentals	5,000	5,000	4,718	(282)
Miscellaneous	6,690	6,690	9,878	3,188
<i>Total Revenues</i>	7,005,458	7,005,458	7,578,343	572,885
Expenditures				
Current:				
Instruction:				
Regular	4,053,015	4,053,015	3,498,643	554,372
Special	936,323	936,323	781,222	155,101
Vocational	203,478	203,478	176,258	27,220
Other	228,013	228,013	177,187	50,826
Support Services:				
Pupils	275,168	275,168	247,156	28,012
Instructional Staff	152,120	152,120	118,957	33,163
Board of Education	7,315	7,315	6,821	494
Administration	993,515	993,515	854,290	139,225
Fiscal	267,633	267,633	247,690	19,943
Operation and Maintenance of Plant	881,158	881,158	787,680	93,478
Pupil Transportation	597,441	597,441	571,724	25,717
Extracurricular Activities	157,500	157,500	166,870	(9,370)
Capital Outlay	111,711	111,711	19,350	92,361
Debt Service:				
Principal	45,000	45,000	45,000	0
Interest	9,500	9,500	9,390	110
<i>Total Expenditures</i>	8,918,890	8,918,890	7,708,238	1,210,652
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,913,432)	(1,913,432)	(129,895)	1,783,537
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	200	200	1,211	1,011
Advances Out	(43,000)	(43,000)	(43,000)	0
Transfers In	10,000	10,000	0	(10,000)
Transfers Out	(5,000)	(5,000)	0	5,000
<i>Total Other Financing Sources (Uses)</i>	(37,800)	(37,800)	(41,789)	(3,989)
<i>Net Change in Fund Balance</i>	(1,951,232)	(1,951,232)	(171,684)	1,779,548
<i>Fund Balance Beginning of Year</i>	2,005,040	2,005,040	2,005,040	0
<i>Prior Year Encumbrances Appropriated</i>	297,611	297,611	297,611	0
<i>Fund Balance End of Year</i>	\$351,419	\$351,419	\$2,130,967	\$1,779,548

See accompanying notes to the basic financial statements

Centerburg Local School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2004

	<u>Insurance</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	\$88,677
Liabilities	
Claims Payable	<u>3,690</u>
Net Assets	
Unrestricted	<u><u>\$84,987</u></u>

See accompanying notes to the basic financial statements

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

	Insurance
Operating Revenues	
Charges for Services	\$30,378
Operating Expenses	
Claims	47,711
<i>Operating Loss</i>	(17,333)
Non-Operating Revenues	
Interest	789
<i>Change in Net Assets</i>	(16,544)
<i>Net Assets Beginning of Year</i>	101,531
<i>Net Assets End of Year</i>	\$84,987

See accompanying notes to the basic financial statements

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

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$30,378
Cash Payments for Claims	(48,390)
<i>Net Cash Used for Operating Activities</i>	(18,012)
Cash Flows from Investing Activities	
Interest on Investments	789
<i>Net Decrease in Cash and Cash Equivalents</i>	(17,223)
<i>Cash and Cash Equivalents Beginning of Year</i>	105,900
<i>Cash and Cash Equivalents End of Year</i>	\$88,677
 <i>Reconciliation of Operating Loss</i>	
<i>to Net Cash Used for Operating Activities</i>	
<i>Operating Loss</i>	(\$17,333)
 Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities	
Increase/(Decrease) in Liabilities:	
Claims Payable	(679)
<i>Net Cash Used for Operating Activities</i>	(\$18,012)

See accompanying notes to the basic financial statements

Centerburg Local School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity Pooled in Cash and Cash Equivalents	<u>\$17,938</u>	<u>\$45,833</u>
<i>Total Assets</i>	<u>17,938</u>	<u><u>\$45,833</u></u>
Liabilities		
Due to Students	<u>0</u>	<u>\$45,833</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$45,833</u></u>
Net Assets		
Held in Trust for Scholarships	<u><u>\$17,938</u></u>	

See accompanying notes to the basic financial statements

Centerburg Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004

	Private Private Trust Funds
Additions	
Interest	\$98
<i>Total Additions</i>	98
Deductions	
Scholarships Awarded	9,500
<i>Change in Net Assets</i>	(9,402)
<i>Net Assets Beginning of Year</i>	27,340
<i>Net Assets End of Year</i>	\$17,938

See accompanying notes to the basic financial statements

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

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's two instructional facilities, one administrative building, and one garage staffed by 44 classified employees and 81 certificated full-time teaching personnel who provide services to 1,163 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For 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 has no component units.

The School District participates in the Tri-Rivers Educational Computer Association (TRECA) and the Knox County Career Center, jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 12 and 13 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District’s major governmental funds:

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

Bond Retirement Fund The bond retirement fund is used to account for property taxes and intergovernmental revenues, and the payment of general long-term debt principal, interest and related costs.

Ohio School Facilities Capital Projects Fund The Ohio school facilities capital projects fund accounts for bond proceeds and state grants used for the acquisition and construction of classroom facilities.

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

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

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

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

Fiduciary Fund Types **Fiduciary** fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

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

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

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

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

D. Basis of Accounting

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds except the internal service fund are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents". The District has a segregated bank account for self insurance monies held separate from the School District's central bank account. This depository account is presented on the statements as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury. The District also uses a fiscal agent to hold retainage on construction contracts. The balances in these accounts are presented as "cash and cash equivalents with escrow agent".

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$31,550, which includes \$2,761 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by statute to be set-aside by the School District for the purchase of textbooks and for the acquisition or construction of capital improvements. See Note 18 for additional information regarding set asides.

G. Inventory

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

H. Capital Assets

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

All capital 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 one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	40 - 70 years
Furniture and Equipment	5 - 20 years
Vehicles	3 - 10 years

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for employees after ten years of service with the District.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Interfund Activity

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

L. Fund Balance Reserves

The School District reserves those portions of fund balance 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 balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, capital improvements and textbooks.

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service operations, special education and classroom facilities maintenance.

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

N. Operating Revenues and Expenses

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

O. Extraordinary and Special Items

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

P. Estimates

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

Q. Budgetary Data

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

Centerburg Local School District
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For the Fiscal Year Ended June 30, 2004

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

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

Note 3 – Changes in Accounting Principle

For fiscal year 2004, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units.” GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government. The implementation of GASB Statement No. 39 did not affect the reporting entity of the School District.

Note 4 - Fund Deficits and Accountability

A. Fund Deficits

At June 30, 2004, the Title IIA and Title I special revenue funds had a deficit fund balances of \$3,700 and \$15,776. The deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

B. Accountability

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<i>Special Revenue Funds:</i>			
District Managed Activity	\$112,796	\$118,030	(\$5,234)
Miscellaneous State Grants	68,063	69,367	(1,304)

Although these violations were not corrected by fiscal year-end, management has indicated that appropriations will be more closely monitored to ensure no future violations will occur.

Contrary to Ohio Revised Code Section 5705.41(D) the District did not properly certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance for a portion of their 2004 expenditures.

Centerburg Local School District
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For the Fiscal Year Ended June 30, 2004

Note 5 - Budgetary Basis of Accounting

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

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 (GAAP basis).

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

Net Change in Fund Balance	
	General
GAAP Basis	\$677,482
Net Adjustment for Revenue Accruals	(716,012)
Net Adjustment for Expenditure Accruals	9,677
Advances Out	(43,000)
Encumbrances	(99,831)
Budget Basis	(\$171,684)

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation 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.

Cash on Hand At year-end, the School District had \$4,631 in unreported cash which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$1,134,419 and the bank balance was \$1,447,382. \$100,000 of the bank balance was covered by federal depository insurance. \$1,347,382 was uninsured and uncollateralized. Although the securities serving as collateral were held by

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For the Fiscal Year Ended June 30, 2004

the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in a money market mutual fund and STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

The fair value of the School District's investment in STAROhio is \$3,656,324 and in the Money Market Mutual Fund is \$54,828 as of June 30, 2004.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$4,850,202	\$0
Investments:		
STAROhio	(3,656,324)	3,656,324
Money Market Mutual Fund	(54,828)	54,828
Cash on Hand	(4,631)	0
Total	\$1,134,419	\$3,711,152

Note 7 - Property Taxes

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

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

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Delaware, Knox and Licking Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$684,673 in the general fund, \$138,657 in the debt service fund, \$31,403 in the permanent improvement capital projects fund and \$10,596 in the classroom facilities special revenue fund. The amount available as an advance at June 30, 2003, was \$320,529 in the general fund, \$104,035 in the debt service fund, \$11,124 in the permanent improvement capital projects fund and \$6,710 in the classroom facilities special revenue fund.

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

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

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$82,503,200	94.75 %	\$86,389,500	95.07 %
Public Utility Personal	2,791,910	3.21	2,834,740	3.12
Tangible Personal Property	<u>1,779,135</u>	<u>2.04</u>	<u>1,645,584</u>	<u>1.81</u>
Total	<u><u>\$87,074,245</u></u>	<u><u>100.00 %</u></u>	<u><u>\$90,869,824</u></u>	<u><u>100.00 %</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$41.16		 \$41.16	

Centerburg Local School District
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For the Fiscal Year Ended June 30, 2004

Note 8 – Income Tax

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1998, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Receivables

Receivables at June 30, 2004, consisted of taxes and accounts. 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 year guarantee of federal funds. All receivables are expected to be collected within one year.

Intergovernmental receivables amounted to \$3,470 in the general fund.

Note10 – Capital Assets

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

	Balance 6/30/2003	Additions	Deductions	Balance 6/30/2004
Governmental Activities				
<i>Non-Depreciable Assets</i>				
Land	\$362,010	\$0	\$0	\$362,010
Construction in Progress	19,009,902	1,155,715	(20,165,617)	0
<i>Total Non-Depreciable Assets</i>	<u>19,371,912</u>	<u>1,155,715</u>	<u>(20,165,617)</u>	<u>362,010</u>
<i>Depreciable Assets</i>				
Buildings and Improvements	1,859,882	23,597,046	0	25,456,928
Furniture and Equipment	1,497,080	207,334	(109,637)	1,594,777
Vehicles	596,000	58,201	(54,032)	600,169
<i>Total Depreciable Assets</i>	<u>3,952,962</u>	<u>23,862,581</u>	<u>(163,669)</u>	<u>27,651,874</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(1,794,671)	(355,625)	0	(2,150,296)
Furniture and Equipment	(931,246)	(113,129)	51,443	(992,932)
Vehicles	(281,274)	(48,152)	54,032	(275,394)
<i>Total Accumulated Depreciation</i>	<u>(3,007,191)</u>	<u>(516,906)*</u>	<u>105,475</u>	<u>(3,418,622)</u>
<i>Depreciable Capital Assets, Net</i>	<u>945,771</u>	<u>23,345,675</u>	<u>(58,194)</u>	<u>24,233,252</u>
Governmental Activities Capital Assets, Net	<u>\$20,317,683</u>	<u>\$24,501,390</u>	<u>(\$20,223,811)</u>	<u>\$24,595,262</u>

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* Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular		\$328,359
Special		40,858
Vocational		10,748
Support Services		
Pupils		15,566
Instructional Staff		4,086
Administration		35,980
Fiscal		643
Operation and Maintenance of Plant		7,971
Pupil Transportation		48,634
Operation of Non-Instructional Services		24,061
Total Depreciation Expense		\$516,906

Note 11 – Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's bonds follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
Ohio School Facilities Commission Bonds - 2001	3.4 - 7.69%	\$6,481,995	December 1, 2027
Energy Conservation Bonds - 1996	5.20%	380,000	June 5, 2007

Centerburg Local School District
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Changes in long-term obligations of the School District during fiscal year 2004 were as follows:

	Principal Outstanding June 30, 2003	Additions	Deductions	Principal Outstanding June 30, 2004	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
Ohio School Facilities					
Commission Bonds					
\$1,790,000 3.4 - 4.3% Serial Bonds	\$1,590,000	\$0	\$155,000	\$1,435,000	\$165,000
\$4,355,000 5.1 -5.125 % Term Bonds	4,355,000	0	0	4,355,000	0
\$336,995 7.69% Original Issue of Capital Appreciation Bonds	336,995	0	0	336,995	0
Accretion on Capital Appreciation Bonds	58,087	31,317	0	89,404	0
Energy Conservation Bonds	195,000	0	45,000	150,000	50,000
Total General Obligation Bonds	6,535,082	31,317	200,000	6,366,399	215,000
Capital Lease	50,729	0	50,729	0	0
Compensated Absences	491,107	28,351	12,510	506,948	16,450
Total Governmental Activities Long-Term Liabilities	\$7,076,918	\$59,668	\$263,239	\$6,873,347	\$231,450

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the General and Food Service, Title VI-B and Title I special revenue funds. Capital lease obligations were paid from the general and permanent improvement funds because they utilize the assets.

In 2001, the School District issued Ohio School Facilities Commission bonds for construction of new school buildings. The general obligation bonds include serial bonds, term bonds and capital appreciation bonds. The additions were \$31,317 which represents the annual accretion of discounted interest. The final amount of the capital appreciation bonds will be \$815,000 payable at December 2013.

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2014	\$280,000
2015	305,000
2016	325,000
2017	340,000
2018	365,000
2019	390,000
2020	415,000
2021	445,000
2022	470,000

The remaining principal amount of the term bonds (\$495,000) will mature at stated maturity on December 1, 2023.

Centerburg Local School District
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For the Fiscal Year Ended June 30, 2004

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2024	\$120,000
2025	130,000
2026	135,000

The remaining principal amount of the term bonds (\$140,000) will mature at stated maturity on December 1, 2027.

The serial bonds maturing after December 1, 2010 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2010, at redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2010 through November 20, 2011	101.00%
December 1, 2011 through November 20, 2012	100.50
December 1, 2012 and thereafter	100.00

The overall debt margin of the School District as of June 30, 2004 was \$2,437,486 with an unvoted debt margin of \$90,870. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>General Obligation Bonds</u>			
	<u>OSFC Serial</u>		<u>OSFC Term</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$165,000	\$277,121	\$0	\$0
2006	180,000	270,521	0	0
2007	190,000	263,351	0	0
2008	210,000	255,446	0	0
2009	215,000	246,839	0	0
2010-2014	475,000	465,105	0	0
2015-2019	0	0	1,240,000	766,545
2020-2024	0	0	2,105,000	540,109
2025-2029	0	0	1,010,000	95,007
Total	<u>\$1,435,000</u>	<u>\$1,778,383</u>	<u>\$4,355,000</u>	<u>\$1,401,661</u>

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Fiscal Year Ending June 30	General Obligation Bonds			
	OSFC Capital Appreciation		Energy Conservation	
	Principal	Interest	Principal	Interest
2005	\$0	\$0	\$50,000	\$8,175
2006	0	0	50,000	5,475
2007	0	0	50,000	2,750
2008	0	0	0	0
2009	0	0	0	0
2010-2014	336,995	478,005	0	0
2015-2019	0	0	0	0
2020-2024	0	0	0	0
2025-2029	0	0	0	0
Total	\$336,995	\$478,005	\$150,000	\$16,400

Note 12 - Jointly Governed Organizations

Tri-Rivers Educational Computer Association The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Marion, Morrow, Knox, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of TRECA consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid \$59,156 to TRECA during fiscal year 2004 for services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

Knox County Career Center The Knox County Career Center is a joint vocational school. It is 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 13 - Insurance Purchasing Pool

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 Post President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

Note 14 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District's insurance coverage was as follows:

Type of Coverage	Deductible	Liability Limit
Building and Contents-replacement cost	\$5,000	\$14,266,546
Crime Insurance	0	100,000
Automobile Liability	0	1,000,000
General Liability -		
Per Occurrence	0	1,000,000
Per Year	0	3,000,000
Builder's Risk Insurance	2,500	100,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

B. Workers' Compensation

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). 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.

C. Employee Insurance Benefits

Dental insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$3,690 reported in the internal service fund at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$4,320	\$39,799	\$39,750	\$4,369
2004	4,369	47,711	48,390	3,690

Note 15 - Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$76,833, \$55,524 and \$154,226 respectively; 62.89 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

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

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

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

from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.3 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$477,423, \$437,666, and \$488,756 respectively; 86.88 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$68 made by the School District and \$65 made by the plan members.

Note 16 - Postemployment Benefits

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

All retirees from the DB and Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$36,725 for fiscal year 2004.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$56,038.

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

Note 17 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per 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.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 200 days for administrative personnel and 184 days for all other personnel. Upon retirement, all employees receive payment for one-fourth of accrued, but unused sick leave accumulation, up to a maximum of 50 days for administrative employees and 46 days for all other employees.

B. Life Insurance Benefits

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.

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

Note 18 - Set Asides

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

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

	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-Aside Reserve Balance as of June 30, 2003	\$0	\$14,361
Current Year Set-aside Requirement	147,827	147,827
Qualifying Disbursements	(98,453)	(133,026)
Total	\$49,374	\$29,162
Set-aside Balance Carried Forward to Future Fiscal Years	\$49,374	\$29,162
Set-aside Reserve Balance as of June 30, 2004	\$49,374	\$29,162

The total reserve balance for the two set asides at the end of the fiscal year was \$78,536.

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, 2004.

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

Note 20 – Contractual Commitments

As of June 30, 2004, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Accurate Electric Construction	\$13,030
Corna/Kokosing Construction Company	189,425
Goodin Electric, Inc.	14,652
Nor-Com, Inc.	93,977
Pete Miller	2,327
Romanoff	<u>76,152</u>
Total	<u><u>\$389,563</u></u>

Note 21 - School State Funding Decision

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

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

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

Note 22 – Interfund Balances

Interfund balances for the year ended June 30, 2004 consisted of an interfund payable of \$43,000 in the wellness center capital projects fund and an interfund receivable in the general fund. The \$43,000 was advanced to supplement construction costs of the wellness center.

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Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-002 and 2004-003.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. We also noted other matters involving internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated February 15, 2005.

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

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

Betty Montgomery
Auditor of State

February 15, 2005

CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2004-001
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Non-Compliance Citation--Certification of Funds

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirements for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District did not certify the availability of funds prior to the purchase commitment for twenty-one percent of the expenditures tested and there was no evidence that the District followed the aforementioned exceptions. Thirteen percent of the transactions noted above were related to contract expenditures for the Ohio School Facilities Commission projects completed. These contract expenditures exceeded the amount of certification attached by the Treasurer.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-001 (Continued)
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Certification of Funds (continued)

Failure to properly certify the availability of funds can result in overspending funds and negative fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible by issuance of a standard purchase order, a blanket, super blanket, or "then and now" certification should be used.

The "then and now" certification should not be used for all District transactions on a normal basis. If "then and now" certificates are utilized and the expenditure exceeds \$3,000 then the Treasurer should seek approval by Board resolution within 30 days.

Finding Number	2004-002
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Finding for Recovery Repaid Under Audit and Reportable Condition —Athletic Events

Ohio Rev. Code Section 9.39 states all "public officials are liable for all public money received or collected by them or by their subordinates under color of office."

Ticket reconciliation forms are used to account for all tickets sold at the District's athletic events. The reconciliation forms were completed by the Athletic Director, Jeff Reynolds. Upon completion of the form, the Athletic Director signs the ticket reconciliation form. The beginning and ending numbers on the ticket stubs sold are recorded on the ticket reconciliation sheet to support actual tickets sold. The ticket reconciliation for the varsity football games against, Bellaire Saint John on September 5, 2003 and against Johnstown on October 18, 2003, reported receipts in excess of the bank deposit for each game as summarized in the chart below.

Bellaire Saint John Varsity Football Game

Ticket Type	Beginning Ticket Number Recorded	Ending Ticket Number Recorded	Recalculated # of Tickets Sold Based on Ticket Stubs	Price per Ticket	Recalculated Receipts	Receipts Deposited	Dollar Variance
Adult	182	394	212				
Adult	595	819	224				
	TOTAL ADULT		436	\$5	\$2,180	\$2,180	\$0
Student	1	162	161				
Student	16	226	210				
Student	250	607	357				
	TOTAL STUDENT		728	\$3	\$2,184	\$1,884	(\$300)
Additional receipts collected at extra gate- no tickets issued					\$109	\$109	\$0

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-002 (Continued)
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Finding for Recovery Repaid Under Audit—Athletic Events (continued)

Johnstown Varsity Football Game

Ticket Type	Beginning Ticket Number Recorded	Ending Ticket Number Recorded	Recalculated # of Tickets Sold Based on Ticket Stubs	Price per Ticket	Recalculated Receipts	Receipts Deposited	Dollar Variance
Adult	388	819	431				
Adult	403	574	171				
	TOTAL ADULT		602	\$5	\$3,010	\$3,010	\$0
Student	810	1000	190				
Student	1	413	412				
Student	189	574	385				
	TOTAL STUDENT		987	\$3	\$2,961	\$1,712	(\$1,249)
TOTAL VARIANCE							<u>(\$1,549)</u>

In accordance to the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted for would have been issued against Jeff Reynolds, Athletic Director in the amount of one thousand five hundred and forty nine dollars (\$1,549), and the Ohio Republic Surety Company, jointly and severally, in favor of the Centerburg Local School District Athletic Fund.

However, Jeff Reynolds, Athletic Director, repaid the District \$1,500 on December 1, 2004 and \$49 on December 10, 2004. These payments were credited to the Athletic Fund.

In addition to the finding for recovery stated above, pre-numbered tickets were not issued at several gates for most of the home varsity football games.

A ticket should be issued to all patrons attending District athletic events and a ticket reconciliation form completed at the conclusion. The ticket reconciliation should include the beginning ticket numbers sold and ending ticket numbers sold for both adult and student tickets. The difference between the ending and beginning ticket numbers should be multiplied by the price per ticket. Total tickets sold should be compared to the total cash collected. All ticket reconciliation forms should be signed by the ticket takers and the Athletic Director and a copy filed with the District Treasurer. Any discrepancies noted by the Athletic Director or the Treasurer's office should be investigated and reasons for the discrepancies should be documented on the ticket reconciliation form.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-003
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Reportable Condition- Capital Asset Inventory

School Board Policy #7450 states that "it shall be the duty of the Superintendent and Treasurer to ensure that inventories are systematically and accurately recorded and property records of equipment are updated and adjusted annually by reference to purchase orders and withdrawal reports". The District utilizes the Electronic Inventory System (the System), to account for capital assets for the District. The following weaknesses were noted.

1. The new high school was completed and occupied at the beginning of fiscal year 2004. The high school has not been reclassified from construction in progress to the buildings asset classification. Therefore, depreciation was not calculated by the System for fiscal year 2004.
2. The capital asset balances on the financial statements do not agree with the balances on the System. There are two reasons for the differences. One reason is due to adjustments that the District made to its original cost balances in fiscal year 2004. The other reason is that the construction costs related the new elementary building have been placed into the same tag number as the old elementary building. The year of acquisition of the old elementary building was 1965 and the costs of the new additions and renovations are being depreciated as of 1965, subsequently overstating accumulated depreciation and understating net capital assets by approximately \$2.4 million on the System.
3. The District has not removed the old modular buildings sold in fiscal year 2003 from the System.
4. There are numerous fully depreciated capital asset items listed on the System that may need to be removed if the District no longer uses them.

An accurate capital asset listing is necessary in order for the District to ensure that they have a complete record of all capital assets they own and that the capital assets and the associated depreciation are accurately reflected on the financial statements.

The Treasurer should ensure that all of the errors noted above are corrected on the System and that School Board Policy #7450 is followed. In addition, the Treasurer should ensure that depreciation on all capital assets except land is properly calculated based on reasonable useful lives and acquisition date. Fully depreciated capital assets should be reviewed to determine whether the assets are still in use. Disposed capital assets should be removed from the System.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5705.41(D)—Proper certification of funds.	No	Not Corrected. Reissued as Finding 2004-001.
2003-002	Internal control weaknesses within the Student activity receipt collection process	No	Partially corrected. Management Letter comment issued.
2003-003	Internal control weaknesses in the athletic receipt process.	No.	Not Corrected. Reissued as a part of Finding 2004-002.



**Auditor of State
Betty Montgomery**

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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
MARCH 29, 2005**