



**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, 2003, 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, 2003, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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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 3, 2004

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Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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, 2003. 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 2003 are as follows:

- In total, assets increased by \$414,797.
- Revenues for governmental activities totaled \$8,035,501 in 2003. Of this total, 90.3 percent consisted of general revenues while program revenues accounted for the balance of 9.7 percent.
- Program expenses totaled \$8,152,719. Instructional expenses made up 61.7 percent of this total while support services accounted for 29 percent. Other expenses rounded out the remaining 9.3 percent.
- Outstanding general obligation bonded debt decreased to \$6,535,082 from \$6,676,065 in 2003.

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 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 2003?" The *Statement of Net Assets* and *Statement of Activities* answers 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.

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

Centerburg Local School District
Management's Discussion and Analysis
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factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

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 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 2003 compared to 2002:

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 1
Net Assets
Governmental Activities

	2003	2002
Assets		
Current and Other Assets	\$12,689,919	\$27,936,421
Capital Assets, Net	20,317,683	4,656,384
<i>Total Assets</i>	<u>33,007,602</u>	<u>32,592,805</u>
Liabilities		
Current Liabilities	4,360,728	3,716,214
Long-Term Liabilities:		
Due Within One Year	243,399	209,833
Due in More Than One Year	6,833,519	6,979,584
<i>Total Liabilities</i>	<u>11,437,646</u>	<u>10,905,631</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	16,970,503	2,962,467
Restricted for:		
Capital Projects	2,237,656	16,471,362
Debt Service	375,945	273,268
Set Asides	14,361	14,251
Other Purposes	186,359	177,655
Unrestricted	1,785,132	1,788,171
<i>Total Net Assets</i>	<u>\$21,569,956</u>	<u>\$21,687,174</u>

Total assets increased by \$414,797. The majority of this increase can be attributed directly to the construction of new elementary and high schools.

Total liabilities increased by \$532,015, due to associated costs of the Ohio School Facilities Commission building project.

By comparing assets and liabilities, one can see the overall position of the School District has decreased slightly as evidenced by the decrease in net assets of \$117,218.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$7,254,299 or 90.3 percent of the total revenue. The most significant portions of the general revenue is grants and entitlements, and local property tax. The remaining amount of revenue received was in the form of program revenues, which equates to \$781,202 or 9.7 percent of total revenue.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year that the School District prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2
Changes in Net Assets
Governmental Activities

	2003
Revenues	
Program Revenues:	
Charges for Services	\$232,220
Operating Grants and Contributions	364,101
Capital Grants and Contributions	184,881
Total Program Revenues	781,202
General Revenues:	
Property Taxes	1,834,247
Income Taxes	656,899
Grants and Entitlements	4,565,401
Investments	196,467
Miscellaneous	1,285
Total General Revenues	7,254,299
Total Revenues	8,035,501
Program Expenses	
Instruction:	
Regular	3,730,534
Special	1,074,335
Vocational	152,320
Support Services:	
Pupils	233,523
Instructional Staff	96,953
Board of Education	7,473
Administration	853,485
Fiscal	205,566
Operation and Maintenance of Plant	528,517
Pupil Transportation	509,582
Central	16,401
Food Service Operations	201,318
Extracurricular Activities	240,199
Interest and Fiscal Charges	302,513
Total Program Expenses	8,152,719
Decrease in Net Assets	(117,218)
<i>Net Assets Beginning of Year</i>	21,687,174
<i>Net Assets End of Year</i>	\$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.

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 61.7 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff, transportation and business operations encompass 29 percent. The remaining amount of program expenses, 9.3 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 2003	Net Cost of Services 2003
Governmental Activities:		
Instruction:		
Regular	\$3,730,534	\$3,468,960
Special	1,074,335	879,765
Vocational	152,320	152,320
Support Services:		
Pupils	233,523	223,764
Instructional Staff	96,953	96,953
Board of Education	7,473	7,473
Administration	853,485	853,485
Fiscal	205,566	205,566
Operation and Maintenance of Plant	528,517	528,517
Pupil Transportation	509,582	486,277
Central	16,401	2,651
Food Service Operations	201,318	15,471
Extracurricular Activities	240,199	147,802
Interest and Fiscal Charges	302,513	302,513
Total	\$8,152,719	\$7,371,517

Centerburg Local School District
Management's Discussion and Analysis
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As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 22.5 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 56 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues account for 9.6 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 \$16,485,726 and expenditures of \$23,901,106. The net change in fund balance for the year was most significant in the Ohio school facilities fund, of a decrease of \$6,616,301 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 2003, the School District amended its general fund budget numerous times, none significant. 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 actual totaled \$6,524,518, which was very close to the original estimate of \$6,352,258. Final budget basis appropriations totaled \$8,311,537 compared to the original estimate of \$6,669,145. This difference was primarily due to changes in property and liability insurance cost, general fund obligations for the building projects and staffing changes.

The general fund's unencumbered ending cash balance totaled \$2,005,040, which was slightly above the original budgeted amount of \$1,697,817.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$20,317,683 invested in land, buildings and improvements, furniture and fixtures, vehicles and construction in progress. Table 4 shows fiscal 2003 values compared to 2002. More detailed information is presented in Note 10 to the basic financial statements.

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 4
Capital Assets at June 30
Governmental Activities

	2003	2002
Land	\$362,010	\$362,010
Buildings and Improvements	65,211	301,363
Furniture and Fixtures	565,834	587,374
Vehicles	314,726	304,656
Construction In Progress	19,009,902	3,100,981
<i>Total Capital Assets</i>	\$20,317,683	\$4,656,384

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

Debt

At June 30, 2003 the School District had \$6,340,082 of Ohio school facilities construction bonds and \$195,000 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

	2003	2002
Energy Conservation Bonds	\$195,000	\$225,000
Ohio School Facilities Commission Bonds	6,340,082	6,451,065
<i>Total</i>	\$6,535,082	\$6,676,065

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 \$7,836,682 with an unvoted debt margin of \$87,074. The School District maintains a bond rating of Aaa by Moody's.

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Current Issues Affecting Financial Condition

Centerburg Local School District has a strong financial outlook. The School District maintains a program of educational excellence. In 2003, Centerburg Local School District earned an effective rating with meeting 17 out of 22 score on the State Report Card.

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.

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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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.

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

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.

**Basic
Financial
Statements**

Centerburg Local School District

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,466,568
Cash and Cash Equivalents with Fiscal Agents	675,151
Cash and Cash Equivalents in Segregated Accounts	105,900
Inventory Held for Resale	4,675
Income Tax Receivable	270,976
Property Taxes Receivable	2,165,782
Materials and Supplies Inventory	867
Nondepreciable Capital Assets	19,371,912
Depreciable Capital Assets, Net	945,771
	<hr/>
<i>Total Assets</i>	33,007,602
Liabilities	
Accounts Payable	96,966
Contracts Payable	1,187,945
Accrued Wages Payable	650,264
Intergovernmental Payable	166,776
Deferred Revenue	1,553,451
Claims Payable	4,369
Accrued Interest Payable	25,806
Retainage Payable	675,151
Long-Term Liabilities:	
Due Within One Year	243,399
Due In More Than One Year	6,833,519
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<i>Total Liabilities</i>	11,437,646
Net Assets	
Invested in Capital Assets, Net of Related Debt	16,970,503
Restricted for:	
Capital Projects	2,237,656
Debt Service	375,945
Set Asides	14,361
Other Purposes	186,359
Unrestricted	1,785,132
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<i>Total Net Assets</i>	\$21,569,956
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See accompanying notes to the basic financial statements

Centerburg Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues				Net (Expense)
					Revenue and Changes
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	in Net Assets
Governmental Activities				Governmental Activities	
Instruction:					
Regular	\$3,730,534	\$7,779	\$92,219	\$161,576	(\$3,468,960)
Special	1,074,335	0	194,570	0	(879,765)
Vocational	152,320	0	0	0	(152,320)
Support Services:					
Pupils	233,523	0	9,759	0	(223,764)
Instructional Staff	96,953	0	0	0	(96,953)
Board of Education	7,473	0	0	0	(7,473)
Administration	853,485	0	0	0	(853,485)
Fiscal	205,566	0	0	0	(205,566)
Operation and Maintenance of Plant	528,517	0	0	0	(528,517)
Pupil Transportation	509,582	0	0	23,305	(486,277)
Central	16,401	0	13,750	0	(2,651)
Food Service Operations	201,318	138,400	47,447	0	(15,471)
Extracurricular Activities	240,199	86,041	6,356	0	(147,802)
Interest and Fiscal Charges	302,513	0	0	0	(302,513)
Totals	\$8,152,719	\$232,220	\$364,101	\$184,881	(7,371,517)

General Revenues

Property Taxes Levied for:

General Purposes	1,305,577
Debt Service	480,749
Capital Projects	47,921
Income Taxes Levied for General Purposes	656,899
Grants and Entitlements not Restricted to Specific Programs	4,565,401
Investment Earnings	196,467
Miscellaneous	1,285

Total General Revenues 7,254,299

Change in Net Assets (117,218)

Net Assets Beginning of Year - See Note 3 21,687,174

Net Assets End of Year \$21,569,956

See accompanying notes to the basic financial statements

Centerburg Local School District

Balance Sheet

Governmental Funds

June 30, 2003

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,288,289	\$5,384,133	\$1,779,785	\$9,452,207
Cash and Cash Equivalents with Fiscal Agent	0	675,151	0	675,151
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	14,361	0	0	14,361
Property Taxes Receivable	1,616,287	0	549,495	2,165,782
Income Tax Receivable	270,976	0	0	270,976
Inventory Held for Resale	0	0	4,675	4,675
Materials and Supplies Inventory	0	0	867	867
<i>Total Assets</i>	<u>\$4,189,913</u>	<u>\$6,059,284</u>	<u>\$2,334,822</u>	<u>\$12,584,019</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$40,153	\$8,629	\$48,184	\$96,966
Contracts Payable	840	1,019,955	167,150	1,187,945
Accrued Wages Payable	616,598	0	33,666	650,264
Retainage Payable	0	675,151	0	675,151
Intergovernmental Payable	97,958	0	4,316	102,274
Deferred Revenue	1,555,610	0	438,750	1,994,360
<i>Total Liabilities</i>	<u>2,311,159</u>	<u>1,703,735</u>	<u>692,066</u>	<u>4,706,960</u>
 Fund Balances				
Reserved for Encumbrances	254,345	883,932	240,007	1,378,284
Reserved for Property Taxes	320,529	0	110,745	431,274
Reserved for Textbooks	14,361	0	0	14,361
Unreserved, Undesignated				
Reported in:				
General Fund	1,289,519	0	0	1,289,519
Special Revenue Funds	0	0	191,189	191,189
Debt Service Fund	0	0	257,767	257,767
Capital Projects Funds	0	3,471,617	843,048	4,314,665
<i>Total Fund Balances</i>	<u>1,878,754</u>	<u>4,355,549</u>	<u>1,642,756</u>	<u>7,877,059</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,189,913</u>	<u>\$6,059,284</u>	<u>\$2,334,822</u>	<u>\$12,584,019</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, 2003*

Total Governmental Fund Balances	\$7,877,059
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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	20,317,683
------------------------------------------------------------------------------------------------------------------------	------------

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 income taxes and delinquent property taxes.	440,909
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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.	101,531
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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.	(64,502)
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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.	(25,806)
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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	(491,107)
General Obligation Bonds	(6,535,082)
Capital Leases Payable	<u>(50,729)</u>

Total	<u>(7,076,918)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$21,569,956</u></u>
----------------------------------------------	----------------------------

Centerburg Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,235,630	\$0	\$517,027	\$1,752,657
Income Taxes	385,923	0	0	385,923
Intergovernmental	4,517,605	8,759,330	467,821	13,744,756
Interest	47,655	127,282	20,386	195,323
Tuition and Fees	7,439	0	1,272	8,711
Extracurricular Activities	0	0	84,769	84,769
Contributions and Donations	180	0	173,382	173,562
Charges for Services	0	0	138,400	138,400
Rentals	340	0	0	340
Miscellaneous	1,285	0	0	1,285
<i>Total Revenues</i>	<u>6,196,057</u>	<u>8,886,612</u>	<u>1,403,057</u>	<u>16,485,726</u>
Expenditures				
Current:				
Instruction:				
Regular	3,063,134	0	117,286	3,180,420
Special	927,367	0	140,342	1,067,709
Vocational	150,149	0	0	150,149
Support Services:				
Pupils	182,997	0	46,608	229,605
Instructional Staff	94,142	0	401	94,543
Board of Education	7,318	0	0	7,318
Administration	611,150	0	4,042	615,192
Fiscal	206,990	0	736	207,726
Operation and Maintenance of Plant	527,618	0	0	527,618
Pupil Transportation	463,499	0	0	463,499
Central	0	0	16,401	16,401
Food Service Operations	0	0	193,041	193,041
Extracurricular Activities	139,100	0	88,796	227,896
Capital Outlay	0	15,502,913	933,029	16,435,942
Debt Service:				
Principal Retirement	27,571	0	182,262	209,833
Interest and Fiscal Charges	4,723	0	269,491	274,214
<i>Total Expenditures</i>	<u>6,405,758</u>	<u>15,502,913</u>	<u>1,992,435</u>	<u>23,901,106</u>
<i>Net Change in Fund Balances</i>	(209,701)	(6,616,301)	(589,378)	(7,415,380)
<i>Fund Balances Beginning of Year - Restated</i> (See Note 3)				
	<u>2,088,455</u>	<u>10,971,850</u>	<u>2,232,134</u>	<u>15,292,439</u>
<i>Fund Balances End of Year</i>	<u>\$1,878,754</u>	<u>\$4,355,549</u>	<u>\$1,642,756</u>	<u>\$7,877,059</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, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$7,415,380)

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

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

Capital Outlay	16,040,848
Depreciation	<u>(363,475)</u>

Total 15,677,373

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (16,074)

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

Property Taxes	81,590
Income Taxes	270,976
Intergovernmental	<u>(8,804,210)</u>

Total (8,451,644)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 209,833

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	718
Bond Accretion	<u>(29,017)</u>

Total (28,299)

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	(68,317)
Pension Obligation	<u>(10,714)</u>

Total (79,031)

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. (13,996)

Change in Net Assets of Governmental Activities (\$117,218)

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,540,286	\$1,556,989	\$1,553,235	(\$3,754)
Income Taxes	706,800	719,666	703,314	(16,352)
Intergovernmental	4,011,099	4,193,640	4,517,605	323,965
Interest	80,073	44,671	47,655	2,984
Tuition and Fees	10,000	7,268	7,439	171
Contributions and Donations	1,000	320	180	(140)
Rentals	2,000	366	340	(26)
Miscellaneous	1,000	1,598	1,285	(313)
<i>Total Revenues</i>	6,352,258	6,524,518	6,831,053	306,535
Expenditures				
Current:				
Instruction:				
Regular	2,250,549	3,838,941	3,317,127	521,814
Special	863,538	863,538	752,694	110,844
Vocational	182,316	182,316	162,044	20,272
Other	190,900	220,900	199,960	20,940
Support Services:				
Pupils	231,590	231,590	181,438	50,152
Instructional Staff	130,007	130,007	108,169	21,838
Board of Education	9,950	9,950	7,318	2,632
Administration	926,091	926,091	694,022	232,069
Fiscal	234,076	234,076	212,216	21,860
Operation and Maintenance of Plant	642,535	682,535	557,665	124,870
Pupil Transportation	578,224	578,224	484,644	93,580
Extracurricular Activities	188,200	188,200	134,853	53,347
Capital Outlay	208,875	192,875	7,273	185,602
Debt Service:				
Principal	27,571	27,571	27,571	0
Interest	4,723	4,723	4,723	0
<i>Total Expenditures</i>	6,669,145	8,311,537	6,851,717	1,459,820
<i>Excess of Revenues Under Expenditures</i>	(316,887)	(1,787,019)	(20,664)	1,766,355
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	7,200	0	7,200
Advances Out	(1,000)	(1,000)	0	1,000
Transfers In	0	26,000	0	(26,000)
Transfers Out	(10,000)	(6)	0	6
<i>Total Other Financing Sources (Uses)</i>	(11,000)	32,194	0	(17,794)
<i>Net Change in Fund Balance</i>	(327,887)	(1,754,825)	(20,664)	1,748,561
<i>Fund Balance Beginning of Year</i>	1,879,111	1,879,111	1,879,111	0
Prior Year Encumbrances Appropriated	146,593	146,593	146,593	0
<i>Fund Balance End of Year</i>	\$1,697,817	\$270,879	\$2,005,040	\$1,748,561

See accompanying notes to the basic financial statements

Centerburg Local School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2003

	<u>Insurance</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	\$105,900
Liabilities	
Claims Payable	<u>4,369</u>
Net Assets	
Unrestricted	<u>\$101,531</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, 2003*

	Insurance
Operating Revenues	
Charges for Services	\$24,384
Operating Expenses	
Claims	39,799
<i>Operating Loss</i>	(15,415)
Non-Operating Revenues	
Interest	1,419
<i>Change in Net Assets</i>	(13,996)
<i>Net Assets Beginning of Year</i>	115,527
<i>Net Assets End of Year</i>	\$101,531

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, 2003

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$24,384
Cash Payments for Claims	(39,750)
<i>Net Cash Used for Operating Activities</i>	(15,366)
Cash Flows from Investing Activities	
Interest on Investments	1,419
<i>Net Decrease in Cash and Cash Equivalents</i>	(13,947)
<i>Cash and Cash Equivalents Beginning of Year</i>	119,847
<i>Cash and Cash Equivalents End of Year</i>	\$105,900
 <i>Reconciliation of Operating Loss</i>	
<i>to Net Cash Used for Operating Activities</i>	
<i>Operating Loss</i>	(\$15,415)
 Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities	
Increase/(Decrease) in Liabilities:	
Claims Payable	49
<i>Net Cash Used for Operating Activities</i>	(\$15,366)

See accompanying notes to the basic financial statements

Centerburg Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private-Purpose Trust	
	Scholarship	Agency
Assets		
Equity Pooled in Cash and Cash Equivalents	\$27,340	\$38,203
Accounts Receivable	0	134
<i>Total Assets</i>	27,340	\$38,337
Liabilities		
Due to Students	0	\$38,337
Net Assets		
Held in Trust for Scholarships	\$27,340	

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, 2003

	Private Private Trust Funds
Additions	
Contributions and Donations	\$6,000
Interest	189
<i>Total Additions</i>	6,189
Deductions	
Scholarships Awarded	4,500
<i>Change in Net Assets</i>	1,689
<i>Net Assets Beginning of Year</i>	25,651
<i>Net Assets End of Year</i>	\$27,340

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, 2003

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 35 classified employees and 75 certificated full-time teaching personnel who provide services to 1,099 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 proprietary 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, 2003

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.

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.

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds 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 also uses a fiscal agent to hold retainage on construction contracts. The balances in these accounts are presented as "cash and cash equivalents with fiscal agent".

During fiscal year 2003, 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, 2003.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 2003 amounted to \$47,655, which includes \$3,307 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. See Note 20 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, 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 five hundred 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	40 years
Furniture and Fixtures	5 - 20 years
Vehicles	3 - 10 years

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 and textbooks.

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes include food service operations, special education and classroom facilities maintenance.

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.

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.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 3 - Change in Accounting Principles and Restatement of Prior Year Fund Balances

Changes in Accounting Principles For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

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

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

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

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

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

Restatement of Fund Balance It was determined that funds reported as enterprise funds should be reclassified and reported as special revenue funds. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

	General	Ohio School Facilities	Nonmajor	Total
Fund Balances, June 30, 2002	\$2,081,898	\$10,971,850	\$2,200,711	\$15,254,459
Interpretation 6	6,557	0	0	6,557
Fund Reclassification	0	0	31,423	31,423
Restated Fund Balances, June 30, 2002	<u>\$2,088,455</u>	<u>\$10,971,850</u>	<u>\$2,232,134</u>	<u>15,292,439</u>
GASB 34 Adjustments:				
Capital Assets				4,656,384
Internal Service Funds				115,527
Intergovernmental Payable				(53,788)
Accrued Interest Payable				(26,524)
Long-Term Liabilities				
Compensated Absences Payable				(422,790)
General Obligation Bonds Payable				(6,676,065)
Capital Leases Payable				(90,562)
Long-Term (Deferred) Assets				<u>8,892,553</u>
Governmental Activities Net Assets, June 30, 2002				<u>\$21,687,174</u>

Note 4 - Fund Deficits and Accountability

A. Fund Deficits

At June 30, 2003, the Title VI special revenue fund had a deficit fund balance of \$102. 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 final appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Revised Code.

	Appropriations	Estimated Resources Plus Carryover Balances	Excess
<i>Special Revenue Funds:</i>			
Title VI-B	\$148,886	\$118,936	\$29,950
Title I	91,164	80,594	10,570
Title VI	11,033	7,195	3,838
Drug Free Schools	4,584	4,061	523

Centerburg Local School District
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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>			
OneNet	\$3,000	\$10,208	\$7,208
SchoolNet Professional Development	5,000	6,518	1,018
<i>Internal Service Fund:</i>			
Self Insurance	49,000	59,394	10,394

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.

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	
GAAP Basis	General (\$209,701)
Net Adjustment for Revenue Accruals	634,996
Net Adjustment for Expenditure Accruals	(148,349)
Encumbrances	(297,610)
Budget Basis	(\$20,664)

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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.

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);

Centerburg Local School District
Notes to the Basic Financial Statements
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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 \$4,632 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 \$1,318,592 and the bank balance was \$1,249,753. \$100,000 of the bank balance was covered by federal depository insurance. \$1,149,753 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution’s name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments 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 the money market mutual fund is \$256,528 and the investment in STAROhio is \$8,924,395 as of June 30, 2003.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$10,313,162	\$0
Investments:		
Money Market Mutual Fund	(256,528)	256,528
STAROhio	(8,924,395)	8,924,395
Cash on Hand	(4,632)	0
Total	\$1,127,607	\$9,180,923

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four 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, 2003, are available to finance fiscal year 2003 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, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 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. The amount available as an advance at June 30, 2002, was \$649,258 in the general fund, \$107,795 in the debt service fund, \$22,893 in the permanent improvement capital projects fund and \$14,176 in the classroom facilities special revenue fund.

Centerburg Local School District
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For the Fiscal Year Ended June 30, 2003

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 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$71,963,570	94.49 %	\$82,503,200	94.75 %
Public Utility Personal	2,746,190	3.61	2,791,910	3.21
Tangible Personal Property	<u>1,449,020</u>	<u>1.90</u>	<u>1,779,135</u>	<u>2.04</u>
Total	<u><u>\$76,158,780</u></u>	<u><u>100.00 %</u></u>	<u><u>\$87,074,245</u></u>	<u><u>100.00 %</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$41.16		 \$41.16	

Note 8 – Income Tax

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

Note 9 - Receivables

Receivables at June 30, 2003, 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.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$362,010	\$0	\$0	\$362,010
Construction in Progress	3,100,981	15,908,921	0	19,009,902
<i>Total Nondepreciable Capital Assets</i>	3,462,991	15,908,921	0	19,371,912
<i>Depreciable Capital Assets</i>				
Buildings and Improvements	1,876,902	0	(17,020)	1,859,882
Furniture and Fixtures	1,417,133	79,947	0	1,497,080
Vehicles	565,109	51,980	(21,089)	596,000
<i>Total Depreciable Capital Assets</i>	3,859,144	131,927	(38,109)	3,952,962
Less: Accumulated Depreciation				
Buildings and Improvements	(1,575,539)	(219,132)	0	(1,794,671)
Furniture and Fixtures	(829,759)	(101,487)	0	(931,246)
Vehicles	(260,453)	(42,856)	22,035	(281,274)
<i>Total Accumulated Depreciation</i>	(2,665,751)	(363,475) *	22,035	(3,007,191)
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	1,193,393	(231,548)	(16,074)	945,771
<i>Governmental Activities Capital Assets, Net</i>	\$4,656,384	\$15,677,373	(\$16,074)	\$20,317,683

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$91,821
Vocational	1,536
Support Services	
Pupils	4,251
Administration	216,997
Fiscal	524
Operation and Maintenance of Plant	2,353
Pupil Transportation	43,363
Operation of Non-Instructional Services	2,630
Total Depreciation Expense	\$363,475

Centerburg Local School District
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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

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	Principal Outstanding June 30, 2002	Additions	Deductions	Principal Outstanding June 30, 2003	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
Ohio School Facilities Commission Bonds					
\$1,790,000 3.4 - 4.3% Serial Bonds	\$1,730,000	\$0	\$140,000	\$1,590,000	\$155,000
\$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	29,070	29,017	0	58,087	0
Energy Conservation Bonds	225,000	0	30,000	195,000	45,000
<i>Total General Obligation Bonds</i>	6,676,065	29,017	170,000	6,535,082	200,000
Capital Lease	90,562	0	39,833	50,729	30,889
Compensated Absences	422,790	68,317	0	491,107	12,510
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$7,189,417</u>	<u>\$97,334</u>	<u>\$209,833</u>	<u>\$7,076,918</u>	<u>\$243,399</u>

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 \$29,017 which represents the annual accretion of discounted interest. The final amount of the capital appreciation bonds will be \$815,000 payable at December 2013.

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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.

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:

Year	Amount
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.

Redemption Period	Redemption Price
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

Centerburg Local School District
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The overall debt margin of the School District as of June 30, 2003 was \$7,836,682 with an unvoted debt margin of \$87,074. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			
	OSFC Serial		OSFC Term	
	Principal	Interest	Principal	Interest
2004	\$155,000	\$283,163	\$0	\$0
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
2009-2013	690,000	711,944	0	0
2014-2018	0	0	1,240,000	766,545
2019-2023	0	0	2,105,000	540,109
2024-2028	0	0	1,010,000	95,007
Total	\$1,590,000	\$2,061,546	\$4,355,000	\$1,401,661

Fiscal Year Ending June 30	General Obligation Bonds			
	OSFC Capital Appreciation		Energy Conservation	
	Principal	Interest	Principal	Interest
2004	\$0	\$0	\$45,000	\$10,605
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
2009-2013	336,995	478,005	0	0
2014-2018	0	0	0	0
2019-2023	0	0	0	0
2024-2028	0	0	0	0
Total	\$336,995	\$478,005	\$195,000	\$27,005

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

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any participating school district is limited to its representation on the Board. The School District paid \$42,008 to TRECA during fiscal year 2003 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 distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Knox County Career Center, Tracy Elliot, who serves as Treasurer, at 306 Martinsburg Road, Mount Vernon, Ohio 43050.

Note 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.

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 2003, the School District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents-replacement cost	\$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	5,000	19,000,000

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

Centerburg Local School District
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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 \$4,369 reported in the internal service fund at June 30, 2003 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:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$8,580	\$58,617	\$62,877	\$4,320
2003	4,320	39,799	39,750	4,369

Note 15 – Capital Leases – Lessee Disclosure

The School District has entered into a capital lease for a building. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of a modular building were capitalized in the amount of \$187,886. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on this lease was \$25,051 leaving a current book value of \$162,835 at June 30, 2003. A corresponding liability was recorded. Principal payments in fiscal year 2003 totaled \$39,833 in the governmental funds.

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For the Fiscal Year Ended June 30, 2003

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	Governmental Activities
2004	\$33,594
2005	20,668
Less: Amount Representing Interest	(3,533)
Present Value of Net Minimum Lease Payments	\$50,729

Note 16 - 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 9 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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, 2003, 2002 and 2001 were \$55,524, \$154,226 and \$147,354 respectively; 87.01 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 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, 2003, 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 2002, the portion used to fund pension obligations was 9.5 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, 2003, 2002, and 2001 were \$437,666, \$488,756, and \$458,741 respectively; 87.01 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$352 made by the School District and \$541 made by the plan members.

Note 17 - Postemployment Benefits

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

All STRS benefit recipients and sponsored 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. Most 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, 2003, 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 \$33,667 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 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, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 18 - 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, 2003

Note 20 - 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. During fiscal year 2003 the budget stabilization set aside was transferred to the unrestricted fund balance of the general fund to be used for instructional materials.

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-Aside Reserve Balance as of June 30, 2002	\$14,251	(\$461,600)	(\$13,550)
Current Year Set-aside Requirement	0	140,527	140,527
Current Year Offsets	0	(59,594)	0
Qualifying Disbursements	(14,251)	(80,154)	(112,616)
Total	\$0	(\$460,821)	\$14,361
Set-aside Balance Carried Forward to Future Fiscal Years	\$0	\$0	\$14,361
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0	\$14,361

The School District had qualifying disbursements and offsets during the year that reduced the capital acquisition set aside amount below zero. The extra amount in capital acquisition may be used to reduce the set aside requirements for future fiscal years. The total reserve balance for the three set asides at the end of the fiscal year was \$14,361.

Note 21 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 22 – Contractual Commitments

As of June 30, 2003, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Accurate Electric Construction	\$151,413
Carl's Plumbing & Heating, Inc.	175,575
Corna/Kokosing Construction Company	759,320
Goodin Electric, Inc.	126,182
Metzger Gleisinger Mechanical, Inc.	313,497
Nor-Com, Inc.	875,200
Romanoff Mechanical	240,135
Steed Hammond Paul	130,259
Stonecreek Interior Systems, Inc.	86,151
Total	<u><u>\$2,857,732</u></u>

Note 23 - 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.



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 Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 3, 2004, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 3, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-002 and 2003-003.

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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 believe none of the reportable conditions described above is a material weakness.

We also noted a matter involving internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 3, 2004.

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

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

Betty Montgomery
Auditor of State

February 3, 2004

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003**

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

Finding Number	2003-001
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Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must 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 by the issuance of a regular certificate, a blanket certificate, or a super blanket certificate. Blanket certificates can be issued for an amount not exceeding \$5,000 against any specific line item account over a period not exceeding three months, and not extending beyond the end of the current fiscal year. A super blanket certificate may be issued for any amount from a specific line item appropriation account in a specific fund, for most recurring or reasonably predictable operating expenditures. Super blankets may not extend beyond the current fiscal year.

This section also provides two exceptions to the above requirements:

- A. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was both at the time of the contract or order and at the time of the certificate appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Education upon completion of the then and now certificate, provided that the expenditure is otherwise lawful. As of April 7, 2003, this amount was increased to three thousand dollars.

Forty seven percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used.

Forty 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.

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 funds being over expended or exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by District personnel. When prior certification is not possible, then and now certification should be utilized.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003
(Continued)**

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

Finding Number	2003-002
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Student Activity Receipts

High School Student Activity internal control weaknesses were identified as follows:

- A. During the months of December, January, April and May, thirty four receipts tested were not deposited by the High School Secretary within a reasonable time frame after collection from the student activity advisors. The lag time between collection and deposit was a week to one month.
- B. In May of 2003, three student activity pay-ins totaling \$780 were misplaced by the High School Secretary and then found and deposited October 13, 2003. The funds were found in a box that the Secretary indicated was misplaced during a move to the new High School.
- C. In January of 2003, a pay-in supporting a deposit totaling \$556 for the Class of 2003 was lost by the High School Secretary. As a result, the High School Secretary subsequently included the \$556 with a Future Farmers of America fruit sale deposit and revised the fruit sale pay-in to include this additional \$556. These receipts were posted in the incorrect student activity account on the District's financial records. The Treasurer has corrected this error on the fiscal year 2004 financial records.
- D. Nine student activity receipt pay-in dates were altered to reflect a date closer to the time the collections were deposited.

The above weaknesses increased the risk of fraud to occur within the student activity receipt collection process. The following internal controls should be implemented to reduce these risks.

- A. Student activity advisors should turn in all fund raiser receipts to the High School Secretary the same day as collected. The High School Secretary should ensure that collections are deposited each day. In the event that collections have to be left at the high school office overnight, the collections and pay-in should be stored in a safe to be reconciled the following business day. The District Treasurer should monitor activity to assure deposits are made daily at the High School.
- B. No changes should be made to the original student activity pay-in unless errors are noted in amounts reported by the student activity. Any changes to the original pay-in should be signed off by the secretary and student activity advisor. A copy of the pay-in should be maintained by the student activity advisor.
- C. Student activity advisors should monitor financial activity throughout the year by comparing the copies of their receipt pay-ins and duplicate receipts received from the High School Secretary to the receipts reported on financial reports supplied to them each month by the District Treasurer. Any discrepancies noted should be reported to the Treasurer's office to ensure proper follow up occurs in a timely manner.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003
(Continued)**

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

Finding Number	2003-003
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Athletic Department - Ticket Reconciliations

The District utilizes athletic ticket reconciliation forms for varsity football and basketball games. The ticket reconciliation forms are a monitoring tool used by the Athletic Director to account for tickets sold in comparison to the receipts collected and deposited.

Pre-numbered tickets were not issued at several gates for all varsity football games and one varsity basketball game. It was also difficult to determine actual tickets sold due to duplication of ticket numbers and the haphazard way the forms were completed.

These weaknesses could result in the inability to account for all tickets sold or to assure that all patrons are paying to enter District's athletic events.

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. Any discrepancies should be investigated and reasons for the discrepancies should be documented on the ticket reconciliation form. All ticket reconciliation forms should be signed by the ticket takers and the athletic director and copy filed with the District Treasurer.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
JUNE 30, 2003**

<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>
2002-001	Ohio Rev. Code Section 5705.41(B)— Budgetary Expenditures exceed the appropriation authority	Partially corrected	Finding reported in the management letter for fiscal 2003.



**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 25, 2004**