



**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

January 10, 2001

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Centerburg Local School District
Knox County
Combined Balance Sheet
All Fund Types and Account Groups
For the Year Ended June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,010,239	\$33,153	\$32,894	\$54,671
Receivables:				
Taxes	1,275,858			52,229
Accounts	7,209	416		
Intergovernmental	500			
Interfund Receivable	10,000			
Income Tax	251,383			
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	63,285			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund				
Provided from General Government Resources				
Total Assets and Other Debits	<u>\$3,618,474</u>	<u>\$33,569</u>	<u>\$32,894</u>	<u>\$106,900</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$44,312	\$3,516		\$20,923
Accrued Wages and Benefits	573,458	22,455		
Compensated Absences Payable	4,226			
Interfund Payable				10,000
Intergovernmental Payable	77,718	4,516		
Deferred Revenue	1,058,206			43,327
Due to Students				
Claims Payable				
Capital Leases Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>1,757,920</u>	<u>30,487</u>	<u></u>	<u>74,250</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	123,913	6,000		1,077
Reserved for Debt Service Principal			\$32,894	
Reserved for Advances	10,000			
Reserved for Property Taxes	217,652			8,902
Reserved for Budget Stabilization	63,285			
Unreserved:				
Unreserved, Undesignated	1,445,704	(2,918)		22,671
Total Fund Equity and Other Credits	<u>1,860,554</u>	<u>3,082</u>	<u>32,894</u>	<u>32,650</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,618,474</u>	<u>\$33,569</u>	<u>\$32,894</u>	<u>\$106,900</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$55,062	\$183,310	\$48,338			\$2,417,667
					1,328,087
					7,625
					500
					10,000
					251,383
4,534					4,534
					63,285
70,378 (37,863)			\$3,773,775		3,844,153 (37,863)
				\$32,894	32,894
				764,955	764,955
<u>\$92,111</u>	<u>\$183,310</u>	<u>\$48,338</u>	<u>\$3,773,775</u>	<u>\$797,849</u>	<u>\$8,687,220</u>
\$12,014		\$160			\$68,911
4,074				\$303,126	607,927
					311,426
5,234				31,210	10,000
2,559					118,678
		35,478			1,104,092
	\$57,365				35,478
					57,365
				161,513	161,513
				290,000	290,000
				12,000	12,000
<u>23,881</u>	<u>57,365</u>	<u>35,638</u>		<u>797,849</u>	<u>2,777,390</u>
			\$3,773,775		3,773,775
68,230	125,945				194,175
					130,990
					32,894
					10,000
					226,554
					63,285
		12,700			1,478,157
<u>68,230</u>	<u>125,945</u>	<u>12,700</u>	<u>3,773,775</u>		<u>5,909,830</u>
<u>\$92,111</u>	<u>\$183,310</u>	<u>\$48,338</u>	<u>\$3,773,775</u>	<u>\$797,849</u>	<u>\$8,687,220</u>

**Centerburg Local School District
Knox County
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2000**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$3,507,244	\$151,392
Interest	136,204	
Tuition and Fees	14,756	
Rent	6,172	
Extracurricular Activities		80,516
Gifts and Donations	100	1,135
Income Tax	880,901	
Property & Other Local Taxes	942,281	
Miscellaneous	727	
Total Revenues	5,488,385	233,043
Expenditures:		
Instruction:		
Regular	2,622,699	51,936
Special	642,016	110,267
Vocational	140,026	
Other	137,519	
Support services:		
Pupils	110,125	14,457
Instructional Staff	79,380	3,724
Board of Education	6,889	
Administration	656,969	6,479
Fiscal	172,794	
Operation and Maintenance of Plant	388,052	
Pupil Transportation	402,106	
Central		1,119
Extracurricular activities	113,529	91,695
Capital Outlay		
Debt Service		
Debt Service - Principal	25,000	
Debt Service - Interest	16,260	
Total Expenditures	5,513,364	279,677
Excess of Revenues Over (Under) Expenditures	(24,979)	(46,634)
Other Financing Sources and Uses		
Operating Transfers In		
Proceeds from Sale of Fixed Assets	55	
Other Revenue		
Refund of Prior Year Expenditures	11,731	
Operating Transfers Out	(65,611)	
Total Other Financing Sources (Uses)	(53,825)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(78,804)	(46,634)
Fund Balance at Beginning of Year	1,939,358	49,716
Fund Balance at End of Year	\$1,860,554	\$3,082

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$111,538		\$3,770,174
			136,204
			14,756
			6,172
			80,516
			1,235
			880,901
	39,635		981,916
			727
	<u>151,173</u>		<u>5,872,601</u>
		\$1,000	2,675,635
			752,283
			140,026
			137,519
	17,091		141,673
			83,104
			6,889
	16,075		679,523
	1,166		173,960
	188,725		576,777
			402,106
	1,794		2,913
			205,224
	106,106		106,106
\$12,000	18,189		55,189
990	6,616		23,866
<u>12,990</u>	<u>355,762</u>	<u>1,000</u>	<u>6,162,793</u>
<u>(12,990)</u>	<u>(204,589)</u>	<u>(1,000)</u>	<u>(290,192)</u>
	65,611		65,611
			55
	89,400		89,400
			11,731
			(65,611)
	<u>155,011</u>		<u>101,186</u>
(12,990)	(49,578)	(1,000)	(189,006)
45,884	82,228	13,700	2,130,886
<u>\$32,894</u>	<u>\$32,650</u>	<u>\$12,700</u>	<u>\$1,941,880</u>

**Centerburg Local School District
Knox County
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2000**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$3,071,775	\$3,507,394	\$435,619
Interest	130,000	136,204	6,204
Tuition and Fees	12,850	12,934	84
Rent	4,500	6,172	1,672
Extracurricular Activities			
Gifts and Donations	150	100	(50)
Income Tax	629,000	629,518	518
Property & Other Local Taxes	1,253,975	1,224,770	(29,205)
Miscellaneous	1,150	930	(220)
Total Revenues	5,103,400	5,518,022	414,622
Expenditures:			
Current:			
Instruction:			
Regular	2,981,463	2,671,685	309,778
Special	763,390	622,025	141,365
Vocational	178,142	141,942	36,200
Other	168,487	137,519	30,968
Support services:			
Pupils	172,781	110,338	62,443
Instructional Staff	124,209	92,913	31,296
Board of Education	17,526	6,985	10,541
Administration	915,023	654,999	260,024
Fiscal	232,849	173,070	59,779
Operation and Maintenance of Plant	548,271	410,689	137,582
Pupil Transportation	488,146	423,056	65,090
Central			
Extracurricular activities	146,680	113,531	33,149
Capital Outlay	5,000		5,000
Debt Service			
Debt Service - Principal	42,000	25,000	17,000
Debt Service - Interest	21,000	16,260	4,740
Total Expenditures	6,804,967	5,600,012	1,204,955
Excess of Revenues Over (Under) Expenditures	(1,701,567)	(81,990)	1,619,577
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets		55	55
Refund of Prior Year Expenditures	3,000	6,468	3,468
Operating Transfers Out	(66,347)	(65,611)	736
Advances Out	(5,000)		5,000
Total Other Financing Sources (Uses)	(68,347)	(59,088)	9,259
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,769,914)	(141,078)	1,628,836
Fund Balances at Beginning of Year	1,868,862	1,868,862	
Prior Year Encumbrances Appropriated	177,512	177,512	
Fund Balance at end of Year	\$276,460	\$1,905,296	\$1,628,836

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

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$194,855	\$147,668	(\$47,187)			
1,500		(\$1,500)			
82,700	80,100	(2,600)			
	1,135	1,135			
<u>279,055</u>	<u>228,903</u>	<u>(50,152)</u>	<u></u>	<u></u>	<u></u>
43,167	39,663	3,504			
125,657	105,911	19,746			
21,559	14,215	7,344			
6,712	6,479	233			
1,308	1,108	200			
111,523	100,904	10,619			
			\$12,000	\$12,000	
			2,000	990	\$1,010
<u>309,926</u>	<u>268,280</u>	<u>41,646</u>	<u>14,000</u>	<u>12,990</u>	<u>1,010</u>
<u>(30,871)</u>	<u>(39,377)</u>	<u>(8,506)</u>	<u>(14,000)</u>	<u>(12,990)</u>	<u>1,010</u>
(30,871)	(39,377)	(8,506)	(14,000)	(12,990)	1,010
52,818	52,818		45,884	45,884	
10,632	10,632				
<u>\$32,579</u>	<u>\$24,073</u>	<u>(\$8,506)</u>	<u>\$31,884</u>	<u>\$32,894</u>	<u>\$1,010</u>

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Centerburg Local School District
Knox County
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2000
(Continued)

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$161,164	\$111,539	(\$49,625)
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Income Tax			
Property & Other Local Taxes	45,840	54,374	8,534
Miscellaneous			
Total Revenues	<u>207,004</u>	<u>165,913</u>	<u>(\$41,091)</u>
Expenditures:			
Current:			
Instruction:			
Regular	38,500		38,500
Special			
Vocational			
Other			
Support services:			
Pupils	17,091	17,091	
Instructional Staff			
Board of Education			
Administration	21,905	16,075	5,830
Fiscal	1,530	1,166	364
Operation and Maintenance of Plant	202,530	188,995	13,535
Pupil Transportation			
Central	3,028	1,794	1,234
Extracurricular activities			
Capital Outlay	52,312	52,017	295
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>336,896</u>	<u>277,138</u>	<u>59,758</u>
Excess of Revenues Over (Under) Expenditures	<u>(129,892)</u>	<u>(111,225)</u>	<u>18,667</u>
Other Financing Sources and Uses			
Operating Transfers In	65,611	65,611	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Operating Transfers Out			
Advances Out			
Total Other Financing Sources (Uses)	<u>65,611</u>	<u>65,611</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(64,281)</u>	<u>(45,614)</u>	<u>18,667</u>
Fund Balances at Beginning of Year	65,702	65,702	
Prior Year Encumbrances Appropriated	12,584	12,584	
Fund Balance at end of Year	<u>\$14,005</u>	<u>\$32,672</u>	<u>\$18,667</u>

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$3,427,794	\$3,766,601	\$338,807
			130,000	136,204	6,204
			14,350	12,934	(1,416)
			4,500	6,172	1,672
			82,700	80,100	(2,600)
			150	1,235	1,085
			629,000	629,518	518
			1,299,815	1,279,144	(20,671)
			1,150	930	(220)
			<u>5,589,459</u>	<u>5,912,838</u>	<u>323,379</u>
\$13,700	\$1,000	\$12,700	3,076,830	2,712,348	364,482
			889,047	727,936	161,111
			178,142	141,942	36,200
			168,487	137,519	30,968
			211,431	141,644	69,787
			124,209	92,913	31,296
			17,526	6,985	10,541
			943,640	677,553	266,087
			234,379	174,236	60,143
			750,801	599,684	151,117
			488,146	423,056	65,090
			4,336	2,902	1,434
			258,203	214,435	43,768
			57,312	52,017	5,295
			54,000	37,000	17,000
			23,000	17,250	5,750
<u>13,700</u>	<u>1,000</u>	<u>12,700</u>	<u>7,479,489</u>	<u>6,159,420</u>	<u>1,320,069</u>
<u>(13,700)</u>	<u>(1,000)</u>	<u>12,700</u>	<u>(1,890,030)</u>	<u>(246,582)</u>	<u>1,643,448</u>
			65,611	65,611	
				55	55
			3,000	6,468	3,468
			(66,347)	(65,611)	736
			(5,000)		5,000
			<u>(2,736)</u>	<u>6,523</u>	<u>9,259</u>
(13,700)	(1,000)	12,700	(1,892,766)	(240,059)	1,652,707
13,700	13,700		2,046,966	2,046,966	
			200,728	200,728	
	<u>\$12,700</u>	<u>\$12,700</u>	<u>\$354,928</u>	<u>\$2,007,635</u>	<u>\$1,652,707</u>

**Centerburg Local School District
Knox County
Combined Statement of Revenues, Expenses
and Changes in Retained Earnings
Proprietary Fund Types
For the Year Ended June 30, 2000**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Sales	\$123,926		\$123,926
Charges for Services		\$422,362	422,362
Total Operating Revenues	<u>123,926</u>	<u>422,362</u>	<u>546,288</u>
Operating Expenses			
Salaries	54,000		54,000
Fringe Benefits	23,606		23,606
Purchased Services	1,215	460,696	461,911
Materials and Supplies	103,830		103,830
Depreciation	3,191		3,191
Total Operating Expenses	<u>185,842</u>	<u>460,696</u>	<u>646,538</u>
Operating Income (Loss)	(61,916)	(38,334)	(100,250)
Non-Operating Revenues and Expenses			
Federal Donated Commodities	13,523		13,523
Interest	1,860	8,875	10,735
Federal and State Subsidies	30,381		30,381
Loss on Disposal of Fixed Assets	(2,357)		(2,357)
Total Non-Operating Revenues and Expenses	<u>43,407</u>	<u>8,875</u>	<u>52,282</u>
Net Income (Loss)	(18,509)	(29,459)	(47,968)
Retained Earnings at Beginning of Year (Restated)	86,739	155,404	242,143
Retained Earnings at End of Year	<u>\$68,230</u>	<u>\$125,945</u>	<u>\$194,175</u>

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

**Centerburg Local School District
Knox County
Combined Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2000**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$123,926		\$123,926
Cash Received from Charges for Services		\$422,362	422,362
Cash Payments to Suppliers for Goods and Service	(85,396)		(85,396)
Cash Payments for Contract Services	(1,215)	(453,507)	(454,722)
Cash Payments for Employee Services	(53,091)		(53,091)
Cash Payments for Employee Benefits	(21,939)		(21,939)
Other Cash Payments	(5,969)		(5,969)
Net Cash Provided (Used) by Operating Activities	<u>(43,684)</u>	<u>(31,145)</u>	<u>(74,829)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	30,381		30,381
Net Cash Provided (Used) by Noncapital Financing Activities	<u>30,381</u>		<u>30,381</u>
Cash Flows form Capital and Related Financing Activities			
Payments for Capital Acquisitions	(4,851)		(4,851)
Net Cash From Capital and Related Financing Activities:	<u>(4,851)</u>		<u>(4,851)</u>
Cash Flows from Investing Activities:			
Interest Received	1,860	8,875	10,735
Net Increase (Decrease) in Cash and Cash Equivalents	(16,294)	(22,270)	(38,564)
Cash and Cash Equivalents at Beginning of Year	71,356	205,580	276,936
Cash and Cash Equivalents at End of Year	<u>\$55,062</u>	<u>\$183,310</u>	<u>\$238,372</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$61,916)	(\$38,334)	(\$100,250)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,191		3,191
Donated Commodities Used During the Year	13,523		13,523
(Increase) Decrease in Assets:			
Material and Supplies Inventory	(576)		(576)
Increase (Decrease) in Liabilities:			
Accounts Payable	(393)		(393)
Compensated Absences Payable	1,570		1,570
Intergovernmental Payable	(727)		(727)
Deferred Revenue	(89)		(89)
Claims Payable		7,189	7,189
Accrued Wages and Benefits	1,733		1,733
Total Adjustments	<u>(\$43,684)</u>	<u>(\$31,145)</u>	<u>(\$74,829)</u>
Net Cash Provided (Used) by Operating Activities			

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

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**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1887 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 63 square miles. It is located in Knox County, and includes the Village of Centerburg and Mt. Liberty and portions of Milford, Hillar, Liberty, Porter, Bennington, and Hartford Townships. The School District is the 484th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 37 non-certificated employees and 69 certificated full-time teaching personnel who provide services to 1,071 students and other community members. The School District currently operates 2 instructional buildings, one administrative building, and one garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Centerburg Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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

Proprietary Fund Types:

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

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

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

Fiduciary Fund Types:

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

Account Groups:

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

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

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

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

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

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations:

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

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

During fiscal year 2000, investments were limited to STAR Ohio.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investments purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner of consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments, with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

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

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

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

Capital Projects Funds

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

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 57 percent of the School District's operating revenue during the 2000 fiscal year.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

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

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

M. Restricted Assets

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

N. Fund Balance Reserves

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

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

O. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY AND COMPLIANCE

Accountability - Fund Deficits

At June 30, 2000, the Title VI-B, the Title I, and the Miscellaneous Federal Grant Funds had deficit fund balances of \$10,433, \$9,179, and \$3,059, respectively, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. RESTATEMENT OF RETAINED EARNINGS

During the fiscal year, the District completed a revaluation of its fixed assets. The revaluation resulted in previous years additions that had not been recorded. As a result, the following adjustments were made to the June 30, 1999 Retained Earnings of the Enterprise Fund Type and to the beginning balance of the General Fixed Assets Account Group .

Enterprise Fund Type:

Retained Earnings as Previously Reported		\$79,495
Change due to revaluation of Fixed Assets		7,244
Restated Retained Earnings as of July 1, 1999		\$86,739

	Amount at 06/30/99	Restated Amount
General Fixed Assets Account Group	\$3,528,930	\$3,580,045

5. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$141,078)	(\$39,377)	(\$12,990)	(\$45,614)	(\$1,000)
Net Adjustment for Revenue	(29,637)	4,140		74,660	
Accruals					
Net Adjustment for Expenditure	(81,580)	(20,477)		(100,624)	
Accruals					
Net Adjustment for Other Sources/Uses	5,263				
Adjustment for Encumbrances	168,228	9,080		22,000	
GAAP Basis	<u>(\$78,804)</u>	<u>(\$46,634)</u>	<u>(\$12,990)</u>	<u>(\$49,578)</u>	<u>(\$1,000)</u>

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the School District had \$4,617 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$420,642 and the bank balance was \$546,088. Of the bank balance, \$100,000 was covered by federal depository insurance and \$446,088 was covered by pooled collateral.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Market Value
STAR Ohio	\$2,055,693	\$2,055,693
Totals	\$2,055,693	\$2,055,693

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,480,952	
Cash On Hand	(4,617)	
Investments which are part of a cash management pool		
STAR Ohio	(2,055.693)	\$2,055,693
GASB Statement 3	\$420,642	\$2,055,693

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. PROPERTY TAXES

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

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

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

The School District receives property taxes from Knox, Delaware, and Licking Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$217,652 in the General Fund and \$8,902 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$53,629,180	94%	\$66,420,510	94%
Public Utility	2,513,470	4%	2,601,330	4%
Tangible Personal Property	1,203,013	2%	1,445,474	2%
Total Assessed Value	\$57,345,663	100%	\$70,467,314	100%
Tax rate per \$1,000 of Assessed valuation	\$34.10		\$34.10	

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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.

9. RECEIVABLES

Receivables at June 30, 2000, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes Receivable	\$1,275,858
Accounts Receivable	7,209
Intergovernmental Receivable	500
Income Tax	251,383
Special Revenue Fund	
Accounts Receivable	416
Capital Project Fund	
Taxes Receivable	52,229
Total Receivables	\$1,587,595

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$70,378
Less: Accumulated Depreciation	(37,863)
Net Fixed Assets	\$32,515

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 7/01/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$362,010			\$362,010
Buildings and Improvements	1,693,601			1,693,301
Furniture and Equipment	1,013,156	\$161,072		1,174,228
Vehicles	511,278	32,658		543,936
Totals	\$3,580,045	\$193,730		\$3,773,775

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District's insurance coverage was as follows:

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

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

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$57,365 reported in the internal service fund at June 30, 2000 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
1999	\$11,708	\$403,913	\$365,445	\$50,176
2000	\$50,176	\$460,696	\$453,507	\$57,365

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Centerburg Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$124,573, \$79,536, and \$87,678, respectively; 65 percent has been paid for fiscal year 2000 and 100 percent has been contributed for fiscal years 2000 and 1999. \$43,176 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2000, were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$411,092, \$364,728, and \$338,412, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent has been contributed for fiscal years 1999 and 1998. \$69,544 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

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

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000 will be 8 percent of covered payroll.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .450, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

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

C. Deferred Compensation

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

15. CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of modular buildings were capitalized in the general fixed assets account group in the amount of \$187,886. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$18,189 in the governmental funds

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Fiscal Year Ending June 30,	GLTDAG
2001	45,470
2002	45,470
2003	45,471
2004	54,262
Total	\$190,673
Less: Amount Representing Interest	(29,160)
Present Value of Net Minimum Lease Payments	\$161,513

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Balance at 07/01/99	Additions	Deductions	Balance at 06/30/00
Building Addition Bonds	\$24,000		\$12,000	\$12,000
Energy Conservation Bonds	315,000		25,000	290,000
Long-Term Bonds & Notes	\$339,000		\$37,000	\$302,000
Capital Lease	90,302	\$89,400	18,189	161,513
Pension Obligation	43,545		12,335	31,210
Compensated Absences	253,206	49,920		303,126
Total Long-Term Obligations	\$726,052	\$139,320	\$67,524	\$797,848

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

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

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

The School District's voted legal debt margin was \$6,342,058 with an unvoted debt margin of \$70,647 at June 30, 2000.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$37,000	\$15,640	\$52,640
2002	40,000	14,010	64,010
2003	30,000	11,910	41,910
2004	45,000	10,605	55,605
2005-2010	150,000	16,400	166,400
Total	<u>\$302,000</u>	<u>\$68,565</u>	<u>\$370,565</u>

17. INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

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

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains one enterprise fund to account for the operations of food service. The table below reflects the more significant financial data relating to the enterprise fund of the Centerburg Local School District as of and for the fiscal year ended June 30, 2000.

	Food Service
Operating Revenues	\$123,926
Depreciation Expense	3,191
Operating (Loss)	(61,916)
Loss for Disposal of Fixed Assets	(2,357)
Donated Commodities	13,523
Grants	30,381
Interest	1,860
Net (Loss)	(18,909)
Net Working Capital	35,715
Total Assets	92,111
Total Liabilities	23,881
Total Equity	68,230

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS

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

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

20. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

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, 2000

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

22. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999	\$2,947	\$2,607	\$63,285	
Current Year Set-aside Requirement	113,470	113,470		
Current Year Offsets				
Qualifying Disbursements	(145,000)	(116,077)		
Total	(\$28,583)		\$63,285	
Cash Balance Carried Forward to FY 2001			\$63,285	
Amount restricted for Budget Stabilization				63,285
Total Restricted Assets				\$63,285

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. This extra amounts may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$63,285.

23. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$3,330,297 of school foundation support for its general fund.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

23. STATE SCHOOL FUNDING DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "major areas warrant further attention, study, and development by the General Assembly," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

24. SUBSEQUENT EVENTS

The District passed a levy in November 2000 which the proceeds will be used to pay off debt issued for construction of a new High School and other capital improvements/construction to existing buildings. The Levy was passed in conjunction with Ohio School Facilities Commission monies that will be used to fund the construction projects. The debt for the new High School and other capital improvements/construction was issued on December 1, 2000 and was for the amounts of \$4,682,000 and \$1,800,000 respectively.

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STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of Centerburg Local School District, Knox County, Ohio (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated January 10, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 10, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the 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 January 10, 2001.

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

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

JIM PETRO
Auditor of State

January 10, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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CENTERBURG LOCAL SCHOOL DISTRICT

KNOX COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2001**