



Dave Yost • Auditor of State



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Centerburg Local School District  
Knox County  
119 South Preston Street  
Centerburg, Ohio 43011

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles general accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplementary and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, and governmental activities and outstanding debt at fiscal year end. This information provides additional analysis and is not a required part of the basis financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 22, 2014

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**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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The discussion and analysis of Centerburg Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- The School District was able, through attrition and careful management, to maintain personnel costs for the second consecutive year. Total general fund salary expenditures are at the level of fiscal year 2006 salary expenditures.
- The School District's move to a self-funded module for medical insurance, beginning with fiscal year 2014, exceeded expectations and is anticipated to continue to help control the cost of health insurance.
- In order to prepare for State mandated Partnership for Assessment of Readiness for College and Career testing and hybrid learning models, the School District continues to invest heavily in technology upgrades. Both the elementary and high school/middle school infrastructure were completely upgraded to current standards along with the installation of wireless technology. State mandates will require the School District to continue to upgrade desktop and mobile devices in both buildings. The plan for the future is to have a device for every student within 3 years.
- The first year of outsourcing food service improved the quality of lunches, and breakfast was added to the program. It is anticipated that increased sales will stabilize the food service program.
- The School District continued to diligently monitor both receipts and disbursements in order to prudently manage the resources needed to educate students.

**Using these Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Government Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

**Reporting the School District as a Whole**

*Statement of Net Position and Statement of Activities*

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts and interest are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

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

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

*Governmental Funds*

Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the general and bond retirement funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

*Proprietary Funds*

The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for medical and dental self-insurance.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefits of the parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013 on a cash basis:

**Table 1**  
**Net Position**  
**Governmental Activities**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,135,421	\$5,204,703	(\$69,282)
Cash and Cash Equivalents with Fiscal Agents	317,860	0	317,860
<i>Total Assets</i>	<u>5,453,281</u>	<u>5,204,703</u>	<u>248,578</u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	227,493	315,951	(88,458)
Debt Service	728,379	732,391	(4,012)
Set Asides	486,046	432,296	53,750
Other Purposes	377,729	337,665	40,064
Unrestricted	<u>3,633,634</u>	<u>3,386,400</u>	<u>247,234</u>
<i>Total Net Position</i>	<u><u>\$5,453,281</u></u>	<u><u>\$5,204,703</u></u>	<u><u>\$248,578</u></u>

The School District's net position in fiscal year 2014 increased over net position in fiscal year 2013. This increase was due to receipts exceeding disbursements, despite the increase in disbursements from fiscal year 2013, which was mostly offset by an increase in receipts. The chart on the following page provides more detail on receipts and disbursements.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

Table 2 shows the changes in net position for fiscal year 2014 compared to fiscal year 2013 on a cash basis:

**Table 2**  
**Changes in Net Position**  
**Governmental Activities**

	2014	2013	Change
<b>Receipts</b>			
Program Receipts:			
Charges for Services and Sales	\$567,111	\$512,099	\$55,012
Operating Grants and Contributions	1,238,914	873,531	365,383
Capital Grants and Contributions	15,323	15,225	98
Total Program Receipts	<u>1,821,348</u>	<u>1,400,855</u>	<u>420,493</u>
General Receipts:			
Property Taxes	2,950,859	2,970,971	(20,112)
Income Taxes	1,159,238	1,103,567	55,671
Grants and Entitlements	5,392,625	5,554,770	(162,145)
Unrestricted Contributions	965	10,081	(9,116)
Investments	8,867	8,601	266
Miscellaneous	23,954	4,263	19,691
Total General Receipts	<u>9,536,508</u>	<u>9,652,253</u>	<u>(115,745)</u>
Total Receipts	<u>11,357,856</u>	<u>11,053,108</u>	<u>304,748</u>
<b>Program Disbursements</b>			
Instruction:			
Regular	4,592,142	4,362,934	(229,208)
Special	1,364,994	1,379,840	14,846
Vocational	115,809	119,224	3,415
Student Intervention Services	249,042	185,224	(63,818)
Support Services:			
Pupils	435,006	364,613	(70,393)
Instructional Staff	252,703	386,063	133,360
Board of Education	8,120	9,000	880
Administration	786,917	855,582	68,665
Fiscal	378,599	318,304	(60,295)
Operation and Maintenance of Plant	864,298	1,049,344	185,046
Pupil Transportation	662,573	694,393	31,820
Central	217,424	3,353	(214,071)
Operation of Non-Instructional Services	319,414	248,982	(70,432)
Extracurricular Activities	349,160	332,593	(16,567)
Capital Outlay	27,080	6,743	(20,337)
Debt Service	485,997	476,397	(9,600)
Total Program Disbursements	<u>11,109,278</u>	<u>10,792,589</u>	<u>(316,689)</u>
Increase in Net Position	248,578	260,519	(11,941)
<i>Net Position Beginning of Year</i>	<u>5,204,703</u>	<u>4,944,184</u>	<u>260,519</u>
<i>Net Position End of Year</i>	<u><u>\$5,453,281</u></u>	<u><u>\$5,204,703</u></u>	<u><u>\$248,578</u></u>

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

Grants and entitlements are the School District's largest source of receipts, followed by property taxes. The School District carefully monitors both these receipts and uses both a five year forecast and a spending plan to predict future receipts and disbursements of the School District.

Some of the significant disbursements during fiscal year 2014 were in the categories of regular and special instruction. Regular instruction disbursements are primarily salary and benefit costs for the School District's teachers.

***Governmental Activities***

The School District has carefully planned its financial existence by forecasting its receipts and disbursements over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The majority of the School District's budget is used to fund instructional disbursements. Additional supporting services for pupils, staff, transportation and other operations of the School District is the second largest area of disbursements. The remaining amount of program disbursements is budgeted to facilitate other obligations of the School District such as debt service, the food service program and numerous extracurricular activities.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$4,592,142	(\$4,413,696)	\$4,362,934	(\$4,155,587)
Special	1,364,994	(583,188)	1,379,840	(1,047,960)
Vocational	115,809	(78,346)	119,224	(115,518)
Student Intervention Services	249,042	(35,877)	185,224	251
Support Services:				
Pupils	435,006	(416,312)	364,613	(338,858)
Instructional Staff	252,703	(209,603)	386,063	(279,644)
Board of Education	8,120	(7,883)	9,000	(8,720)
Administration	786,917	(756,849)	855,582	(825,926)
Fiscal	378,599	(367,379)	318,304	(308,607)
Operation and Maintenance of Plant	864,298	(804,109)	1,049,344	(928,367)
Pupil Transportation	662,573	(625,213)	694,393	(672,804)
Central	217,424	(199,409)	3,353	5,404
Operation of Non-Instructional Services	319,414	(79,772)	248,982	(17,121)
Extracurricular Activities	349,160	(201,606)	332,593	(219,695)
Capital Outlay	27,080	(22,691)	6,743	(2,185)
Debt Service	485,997	(485,997)	476,397	(476,397)
<b>Total</b>	<b>\$11,109,278</b>	<b>(\$9,287,930)</b>	<b>\$10,792,589</b>	<b>(\$9,391,734)</b>

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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The negative numbers in the chart on the prior page demonstrate that the receipts specific to each program are not enough to meet the disbursements of the School District. Because the remainder of the disbursements are covered by general receipts, the reliance upon local tax revenues for governmental activities is crucial.

**School District's Funds**

Information regarding the School District's major funds can be found beginning on page 15. These funds are accounted for using the cash basis method of accounting. All governmental funds had total receipts of \$11,356,434 and disbursements of \$11,417,084. The net change in fund balance for the year was a decrease of \$60,650. The general fund had receipts of \$9,619,779, disbursements of \$9,462,135 and a transfer out of \$100,000. This surplus of \$57,644 is due to receipts exceeding disbursements, despite an increase in disbursements from the prior fiscal year, partially offset by an increase in receipts. The bond retirement fund had receipts of \$491,813 and disbursements of \$495,825, yielding a decrease in fund balance of \$4,012.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2014, the School District amended its general fund budget numerous times, none significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the general fund, the original and final budget basis resources totaled \$8,990,900. The final budget was \$591,761 less than the actual receipts received in the amount of \$9,582,661. The majority of the difference between estimated and actual receipts was due to higher than anticipated intergovernmental receipts and income tax receipts. Appropriations and other financing uses had an original and final budget of \$11,084,151. Actual disbursements and other financing uses were \$9,857,985, or \$1,226,166 less than the final budget, due to conservative spending.

The general fund's unencumbered ending cash balance totaled \$3,512,630 which was above the final budgeted amount of \$1,694,703.

**Capital Assets and Debt Administration**

*Capital Assets*

The School District maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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*Debt*

Table 4 below summarizes the School District's bonds outstanding. More detailed information is presented in Note 15 to the basic financial statements.

**Table 4**  
**Outstanding Debt at Fiscal Year End**  
**Governmental Activities**

	2014	2013
Ohio School Facilities Commission Bonds	\$0	\$269,531
Refunded Ohio School Facilities Commission Bonds	4,365,350	4,364,302
<i>Total</i>	\$4,365,350	\$4,633,833

The 2001 school facilities bonds were issued for the local share of the School District's approved master plan with the Ohio School Facilities Commission. These bonds were fully repaid in fiscal year 2014. A portion of these bonds was refunded during fiscal year 2007. These refunded bonds will be fully repaid in fiscal year 2028.

The School District's overall legal debt margin was \$8,478,750 with an unvoted debt margin of \$133,004 at fiscal year end. The School District maintains a bond rating of Aaa by Moody's.

**Current Issues Affecting Financial Condition**

The School District maintains a program of educational excellence. In fiscal year 2014, Centerburg Local School District earned an "A" in indicators met and an "A" rating in overall student growth.

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

Information currently available to support an accurate five year forecast is very vague. Property taxes remain consistent in Knox County, and the income tax collections continue slow but steady growth for the past three years.

The volatility of the foundation funding source, due to the concerns over uncertain funding sources such as casinos and video lottery terminals, and income tax cuts, has placed an undue burden on all districts. The School District will try to maintain our current educational program by remaining vigilant regarding expenses.

The School District continues to be proactive in funds management. As revenues continue to remain stagnant, the School District reacted by aggressively containing personnel costs, negotiating a modest annual 1 percent increase on all staff salaries for fiscal years 2015 through 2017.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ellen Scott, Treasurer, at Centerburg Local School District, 119 S. Preston Street, Centerburg, Ohio 43011, or email at [ellen.scott@centerburgschools.org](mailto:ellen.scott@centerburgschools.org).

**Centerburg Local School District**  
*Statement of Net Position - Cash Basis*  
*June 30, 2014*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,135,421
Cash and Cash Equivalents with Fiscal Agents	<u>317,860</u>
<i>Total Assets</i>	<u><u>\$5,453,281</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	227,493
Debt Service	728,379
Set Asides	486,046
Other Purposes	377,729
Unrestricted	<u>3,633,634</u>
<i>Total Net Position</i>	<u><u>\$5,453,281</u></u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2014

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,592,142	\$142,440	\$36,006	\$0	(\$4,413,696)
Special	1,364,994	28,650	753,156	0	(583,188)
Vocational	115,809	3,671	33,792	0	(78,346)
Student Intervention Services	249,042	0	213,165	0	(35,877)
Support Services:					
Pupils	435,006	13,471	5,223	0	(416,312)
Instructional Staff	252,703	6,095	37,005	0	(209,603)
Board of Education	8,120	237	0	0	(7,883)
Administration	786,917	24,696	4,761	611	(756,849)
Fiscal	378,599	11,220	0	0	(367,379)
Operation and Maintenance of Plant	864,298	24,504	35,685	0	(804,109)
Pupil Transportation	662,573	21,708	15,652	0	(625,213)
Central	217,424	2,292	5,400	10,323	(199,409)
Operation of Non-Instructional Services	319,414	147,504	92,138	0	(79,772)
Extracurricular Activities	349,160	140,623	6,931	0	(201,606)
Capital Outlay	27,080	0	0	4,389	(22,691)
Debt Service	485,997	0	0	0	(485,997)
<b>Totals</b>	<b>\$11,109,278</b>	<b>\$567,111</b>	<b>\$1,238,914</b>	<b>\$15,323</b>	<b>(9,287,930)</b>

**General Receipts**

Property Taxes Levied for:

General Purposes	2,402,964
Debt Service	429,448
Capital Projects	74,223
Classroom Facilities Maintenance	44,224
Income Taxes Levied for General Purposes	1,159,238
Grants and Entitlements not Restricted to Specific Programs	5,392,625
Unrestricted Contributions	965
Investment Earnings	8,867
Miscellaneous	23,954

*Total General Receipts* 9,536,508

Change in Net Position 248,578

*Net Position Beginning of Year* 5,204,703

*Net Position End of Year* \$5,453,281

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2014*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,382,570	\$728,379	\$538,426	\$4,649,375
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	486,046	0	0	486,046
<i>Total Assets</i>	<u>\$3,868,616</u>	<u>\$728,379</u>	<u>\$538,426</u>	<u>\$5,135,421</u>
<b>Fund Balances</b>				
Restricted	486,046	728,379	605,222	1,819,647
Assigned	1,479,942	0	0	1,479,942
Unassigned (Deficit)	1,902,628	0	(66,796)	1,835,832
<i>Total Fund Balances</i>	<u>3,868,616</u>	<u>728,379</u>	<u>538,426</u>	<u>5,135,421</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,868,616</u>	<u>\$728,379</u>	<u>\$538,426</u>	<u>\$5,135,421</u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2014*

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**Total Governmental Fund Balances** \$5,135,421

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

317,860

*Net Position of Governmental Activities*

\$5,453,281

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,402,964	\$429,448	\$118,447	\$2,950,859
Income Taxes	1,159,238	0	0	1,159,238
Intergovernmental	5,702,967	62,365	869,599	6,634,931
Interest	7,445	0	0	7,445
Tuition and Fees	275,305	0	0	275,305
Extracurricular Activities	29,744	0	104,127	133,871
Contributions and Donations	7,896	0	5,000	12,896
Charges for Services	0	0	147,504	147,504
Rentals	10,431	0	0	10,431
Miscellaneous	23,789	0	165	23,954
<i>Total Receipts</i>	<u>9,619,779</u>	<u>491,813</u>	<u>1,244,842</u>	<u>11,356,434</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,703,632	0	35,962	4,739,594
Special	946,088	0	441,587	1,387,675
Vocational	121,229	0	0	121,229
Student Intervention Services	0	0	249,042	249,042
Support Services:				
Pupils	444,840	0	5,954	450,794
Instructional Staff	201,249	0	56,874	258,123
Board of Education	8,120	0	0	8,120
Administration	815,522	0	5,798	821,320
Fiscal	370,496	9,828	2,929	383,253
Operation and Maintenance of Plant	809,173	0	72,857	882,030
Pupil Transportation	716,829	0	0	716,829
Central	78,591	0	138,833	217,424
Operation of Non-Instructional Services	0	0	319,414	319,414
Extracurricular Activities	246,366	0	102,794	349,160
Capital Outlay	0	0	27,080	27,080
Debt Service:				
Principal Retirement	0	117,306	0	117,306
Interest and Fiscal Charges	0	195,997	0	195,997
Capital Appreciation Bonds Interest	0	172,694	0	172,694
<i>Total Disbursements</i>	<u>9,462,135</u>	<u>495,825</u>	<u>1,459,124</u>	<u>11,417,084</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>157,644</u>	<u>(4,012)</u>	<u>(214,282)</u>	<u>(60,650)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	100,000	100,000
Transfers Out	(100,000)	0	0	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>0</u>	<u>100,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	57,644	(4,012)	(114,282)	(60,650)
<i>Fund Balances Beginning of Year</i>	<u>3,810,972</u>	<u>732,391</u>	<u>652,708</u>	<u>5,196,071</u>
<i>Fund Balances End of Year</i>	<u>\$3,868,616</u>	<u>\$728,379</u>	<u>\$538,426</u>	<u>\$5,135,421</u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**

*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

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**Net Change in Fund Balances - Total Governmental Funds** (60,650)

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

309,228

*Change in Net Position of Governmental Activities*

\$248,578

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,338,620	\$2,338,620	\$2,402,964	\$64,344
Income Taxes	1,051,000	1,051,000	1,159,238	108,238
Intergovernmental	5,313,980	5,313,980	5,702,967	388,987
Interest	7,000	7,000	7,445	445
Tuition and Fees	267,000	267,000	274,862	7,862
Contributions and Donations	4,500	4,500	965	(3,535)
Rentals	6,000	6,000	10,431	4,431
Miscellaneous	2,800	2,800	23,789	20,989
<i>Total Receipts</i>	8,990,900	8,990,900	9,582,661	591,761
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,329,545	4,860,066	4,781,569	78,497
Special	1,250,024	1,083,145	949,713	133,432
Vocational	190,956	160,956	122,339	38,617
Support Services:				
Pupils	410,019	485,901	455,227	30,674
Instructional Staff	310,738	252,838	207,700	45,138
Board of Education	8,560	8,580	8,120	460
Administration	1,352,619	1,226,513	852,345	374,168
Fiscal	379,097	412,797	374,437	38,360
Operation and Maintenance of Plant	1,515,679	1,174,259	941,536	232,723
Pupil Transportation	991,563	921,763	735,344	186,419
Central	126,774	164,274	121,326	42,948
Extracurricular Activities	199,159	233,059	208,329	24,730
<i>Total Disbursements</i>	11,064,733	10,984,151	9,757,985	1,226,166
<i>Excess of Receipts Under Disbursements</i>	(2,073,833)	(1,993,251)	(175,324)	1,817,927
<b>Other Financing Uses</b>				
Transfers Out	(19,418)	(100,000)	(100,000)	0
<i>Net Change in Fund Balance</i>	(2,093,251)	(2,093,251)	(275,324)	1,817,927
<i>Fund Balance Beginning of Year</i>	3,003,956	3,003,956	3,003,956	0
Prior Year Encumbrances Appropriated	783,998	783,998	783,998	0
<i>Fund Balance End of Year</i>	\$1,694,703	\$1,694,703	\$3,512,630	\$1,817,927

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Fund Net Position - Cash Basis*  
*Internal Service Fund*  
*June 30, 2014*

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	<u>Insurance</u>
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agents	<u>\$317,860</u>
<b>Net Position</b>	
Unrestricted	<u>\$317,860</u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Receipts, Disbursements  
and Changes in Fund Net Position - Cash Basis  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2014*

	Insurance
<b>Operating Receipts</b>	
Charges for Services	\$1,508,771
<b>Operating Disbursements</b>	
Purchased Services	386,435
Claims	814,530
<i>Total Operating Disbursements</i>	1,200,965
<i>Operating Income</i>	307,806
<b>Non-Operating Receipts</b>	
Interest	1,422
<i>Change in Net Position</i>	309,228
<i>Net Position Beginning of Year</i>	8,632
<i>Net Position End of Year</i>	\$317,860

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2014*

	Private-Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$121,134	\$41,651
<b>Liabilities</b>		
Undistributed Monies	0	2,478
Due to Students	0	39,173
<i>Total Liabilities</i>	0	\$41,651
<b>Net Position</b>		
Held in Trust for Scholarships	\$121,134	

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Scholarship
<b>Additions</b>	
Interest	\$96
Contributions and Donations	4,000
Miscellaneous	3,337
<i>Total Additions</i>	7,433
<b>Deductions</b>	
Scholarships Awarded	9,473
<i>Change in Net Position</i>	(2,040)
<i>Net Position Beginning of Year</i>	123,174
<i>Net Position End of Year</i>	\$121,134

See accompanying notes to the basic financial statements

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**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's two instructional facilities, one administrative building, and one garage staffed by 33 classified employees and 71 certificated full-time teaching personnel who provide services to 1,177 students and other community members.

*Reporting Entity*

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Centerburg Local School District, this includes the agencies and departments that provide the following services: 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in the Tri-Rivers Educational Computer Association and the Knox County Career Center, jointly governed organizations, and in the Ohio School Boards Association Workers' Compensation Group Rating Program and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, insurance purchasing pools. These organizations are presented in Notes 9 and 10 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in the Basis of Accounting Portion of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

***Fund Accounting***

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

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

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

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

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

***Basis of Accounting***

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

***Cash and Cash Equivalents***

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

During fiscal year 2014, investments were limited to STAR Ohio, the State Treasurer's Investment Pool. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2014.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$7,445, which includes \$1,837 assigned from other School District funds.

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

The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are reflected on the statement of net position as “cash and cash equivalents with fiscal agents.” The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by statute to be set-aside by the School District for the purchase of capital improvements. See Note 17 for additional information regarding set asides.

***Inventory and Prepaid Items***

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District’s cash basis of accounting.

***Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-term Obligations***

The School District’s cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. State statute authorizes the Treasurer to assign fund balance to purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in the fiscal year 2015 appropriated budget.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Net Position***

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, school supplies and maintenance and athletics. The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***Interfund Transactions***

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

***Budgetary Data***

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

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

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

**Note 3 – Accountability**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined.

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis), amounted to \$333,887. The public school support fund is included with the general fund on the statement of assets and fund balances, as it does not have a committed or restricted receipt source. The balance of the public school support fund is \$22,099.

**Note 5 – Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total
<i><b>Restricted for</b></i>				
Food Service Operations	\$0	\$0	\$27,739	\$27,739
Classroom Maintenance	0	0	311,809	311,809
District Managed Activities	0	0	19,033	19,033
Special Education	0	0	4,024	4,024
Student Intervention Services	0	0	4,835	4,835
Other Purposes	0	0	10,289	10,289
Debt Service Payments	0	728,379	0	728,379
Capital Improvements	486,046	0	227,493	713,539
<i>Total Restricted</i>	<u>486,046</u>	<u>728,379</u>	<u>605,222</u>	<u>1,819,647</u>
<i><b>Assigned to</b></i>				
2015 Appropriations	1,123,956	0	0	1,123,956
Purchases on Order	333,887	0	0	333,887
Other Purposes	22,099	0	0	22,099
<i>Total Assigned</i>	<u>1,479,942</u>	<u>0</u>	<u>0</u>	<u>1,479,942</u>
<i>Unassigned (Deficit)</i>	<u>1,902,628</u>	<u>0</u>	<u>(66,796)</u>	<u>1,835,832</u>
<i>Total Fund Balances</i>	<u>\$3,868,616</u>	<u>\$728,379</u>	<u>\$538,426</u>	<u>\$5,135,421</u>

**Note 6 – Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim 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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$1,336,813 of the School District's bank balance of \$5,402,884 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for

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repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments** As of June 30, 2014, the School District only had an investment in STAR Ohio, the State Treasurer’s Investment Pool. This investment of \$110,025 has an average maturity of 54.1 days.

**Credit Risk** STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Note 7 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected in calendar year 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Knox and Morrow Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$128,844,920	97.82%	\$129,783,740	97.56%
Public Utility Personal	2,872,690	2.18	3,239,410	2.44
	\$131,717,610	100.00%	\$133,023,150	100.00%

Tax Rate per \$1,000 of assessed valuation	\$38.21	\$38.27
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*Notes to the Basic Financial Statements*  
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**Note 8 – Income Tax**

The School District levies a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1998, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**Note 9 - Jointly Governed Organizations**

***Tri-Rivers Educational Computer Association*** The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Marion, Morrow, Knox, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of TRECA consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid \$33,157 to TRECA during fiscal year 2014 for services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

***Knox County Career Center*** The Knox County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. The School District did not make any payments to the Career Center during fiscal year 2014. 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.

**Note 10 - Insurance Purchasing Pools**

***The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)***

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 Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan***

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, A risk-sharing, claims servicing, and insurance purchasing pool composed of ninety-one members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual

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member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by United Medical Resources.

**Note 11 - Defined Benefit Pension Plans**

***School Employees Retirement System***

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits is 13.1 percent. The remaining .9 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$144,185, \$154,140 and \$148,162, respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

***State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$518,064 and \$14,196 for the fiscal year ended June 30, 2014, \$519,264 and \$12,310 for the fiscal year ended June 30, 2013, and \$512,648 and \$16,871 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83.95 percent has been contributed for the DB plan and 83.95 percent has been contributed for the Combined Plan. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$16,820 made by the School District and \$13,216 made by the plan members. In addition, member contributions of \$11,154 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

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*Notes to the Basic Financial Statements*  
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**Note 12 - Postemployment Benefits**

***School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$22,013 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,541, \$1,883, and \$6,416, respectively. 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$8,365, \$8,707, and \$8,750, respectively. 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

***State Teachers Retirement System***

Plan Description – The School District contributes to the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the

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fiscal years ended June 30, 2014, 2013, and 2012, were \$40,943, \$40,890, and \$42,665, respectively. For 2014, 83.95 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

**Note 13 - Other Employee Benefits**

*Life Insurance Benefits*

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

*Deferred Compensation*

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

**Note 14 - 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

*Litigation*

As of June 30, 2014, The School District was not party to any legal proceedings.

**Note 15 – Long-Term Obligations**

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Year of Maturity</u>
2001 Ohio School Facilities Commission Bonds:			
Capital Appreciation Bonds	7.69%	\$336,995	2012 to 2014
2007 Refunded Ohio Facilities Commission Bonds			
Current Interest Serial Bonds	4.0 - 5.0%	1,835,000	2020 to 2023
Current Interest Term Bonds	3.8 - 5.75%	2,325,000	2007-2027
Capital Appreciation Bonds	4.17%	194,998	2014

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Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	Principal Outstanding June 30, 2013	Additions	Deductions	Principal Outstanding June 30, 2014	Amount Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Ohio School Facilities					
Commission Bonds					
Capital Appreciation Bonds	\$107,306	\$0	\$107,306	\$0	\$0
Accretion on Capital Appreciation Bonds	162,225	10,469	172,694	0	0
Total Ohio School Facilities					
Commission Bonds	269,531	10,469	280,000	0	0
Refunded Ohio School Facilities					
Commission Bonds					
Current Interest Serial Bonds	1,835,000	0	0	1,835,000	0
Current Interest Term Bonds	2,200,000	0	10,000	2,190,000	295,000
Capital Appreciation Bonds	194,998	0	0	194,998	0
Accretion on Capital Appreciation Bonds	82,614	14,901	0	97,515	0
Premium on Bonds	242,359	0	18,064	224,295	0
Unamortized Loss	(190,669)	0	(14,211)	(176,458)	0
Total Refunded Ohio School Facilities Commission Bonds	4,364,302	14,901	13,853	4,365,350	295,000
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$4,633,833</b>	<b>\$25,370</b>	<b>\$293,853</b>	<b>\$4,365,350</b>	<b>\$295,000</b>

General obligation bonds will be paid from the debt service fund.

In 2001, the School District issued \$6,481,995 in Ohio School Facilities Commission (OSFC) bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$1,790,000, \$4,355,000 and \$336,995, respectively. The OSFC bonds were issued for construction of new school buildings. The bonds were issued for a twenty-five year period with the final maturity at December 1, 2027. The bonds were retired from the debt service fund. At June 30, 2007 the full amount of the term bonds had been retired by the School District through an advance refunding.

The serial and capital appreciation bonds remained outstanding at June 30, 2007. The capital appreciation bonds were originally sold at a discount of \$478,005, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is fiscal years 2012 through 2014. The accretion recorded for fiscal year 2014 was \$10,469. The capital appreciation bonds were retired during fiscal year 2014.

On October 4, 2006, the School District issued \$4,354,998 in general obligation bonds to refund a portion of the OSFC general obligation bonds in order to take advantage of lower interest rates. The bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$1,835,000, \$2,325,000 and \$194,998, respectively.

The capital appreciation bonds were originally sold at a discount of \$304,002, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is December 2014.

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The maturity amount of outstanding capital appreciation bonds at June 30, 2014, is \$499,000. The accretion recorded for fiscal year 2014 was \$14,901 for a total outstanding bond liability of \$292,513 at June 30, 2014.

The term bonds maturing on December 1, 2014, 2019, and 2027, respectively, are subject to mandatory sinking fund redemption requirements at a redemption price of 100 percent of the principal amounts to be redeemed, plus accrued interest to the date of redemption, on December 1 in each of the years and in the principal amounts set forth as follows:

Year	Issue		
	\$295,000	\$1,410,000	\$485,000
2016	\$0	\$320,000	\$0
2017	0	335,000	0
2018	0	365,000	0
2024	0	0	110,000
2025	0	0	120,000
2026	0	0	125,000
	\$0	\$1,020,000	\$355,000
<i>Stated Maturity</i>	<i>12/1/2014</i>	<i>12/1/2019</i>	<i>12/1/2027</i>

The remaining principal amounts of the term bonds (\$295,000, \$390,000, and \$130,000) will mature at the stated maturity.

The overall debt margin of the School District as of June 30, 2014, was \$8,478,750 with an unvoted debt margin of \$133,004. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds					
	OSFC Serial		OSFC Term		OSFC Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$0	\$0	\$295,000	\$195,798	\$0	\$0
2016	0	0	0	0	194,998	304,002
2017	0	0	320,000	183,998	0	0
2018	0	0	335,000	165,597	0	0
2019	0	0	365,000	146,335		
2020-2024	1,835,000	289,192	390,000	125,349	0	0
2025-2028	0	0	485,000	51,669	0	0
Total	\$1,835,000	\$289,192	\$2,190,000	\$868,746	\$194,998	\$304,002

In 2007, the School District defeased a 2001 OSFC bond issue, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2014, \$4,355,000 of the defeased bonds are still outstanding.

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**Note 16 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted with the Ohio School Plan for various types of insurance as follows:

Type of Coverage	Deductible	Coverage
Property (Replacement Cost)	\$1,000	\$49,499,285
General Liability -		
Per Occurrence	0	1,000,000
In Aggregate	0	3,000,000
Automobile Liability	1,000	1,000,000
Employers' Liability (Ohio Stop Gap)	0	1,000,000
Fiduciary Liability	2,500	1,000,000
Legal Liability	2,500	1,000,000
Violence Coverage	0	1,000,000
Crime Insurance	1,000	100,000

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

***Workers' Compensation***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 10). 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. 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.

***Employee Insurance Benefits***

The School District offers medical, surgical, prescription drug, dental, and vision claims coverage to all employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$233,043, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expense and does not include other allocated or unallocated claim adjustment expenses. A comparison of self-insurance fund cash and investment to the actuarially-measured liability as of June 30 follows:

	Cash and Investments	Actuarial Liabilities
2014	\$317,860	\$233,043

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**Note 17 - Set Asides**

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

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

	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2013	\$432,296
Current Year Set-aside Requirement	192,225
Current Year Offsets	(74,223)
Qualifying Disbursements	(64,252)
Total	\$486,046
Set-aside Balance Carried Forward to Future Fiscal Years	\$486,046
Set-aside Reserve Balance as of June 30, 2014	\$486,046

The total reserve balance at the end of the fiscal year was \$486,046.

**Note 18 - Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$333,887
Nonmajor Funds	232,358
Total	\$566,245

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 24,346	\$ 24,346
Cash Assistance:			
National School Lunch Program	10.555	81,038	81,038
National School Breakfast Program	10.553	8,526	8,526
Total Child Nutrition Cluster		<u>113,910</u>	<u>113,910</u>
Total U.S. Department of Agriculture		<u><b>113,910</b></u>	<u><b>113,910</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	165,205	173,099
Special Education Grants to States	84.027	270,231	273,723
Race to the Top	84.395	41,765	41,929
Twenty First Century Community Learning Centers	84.287	142,802	137,058
Improving Teacher Quality	84.367	<u>36,007</u>	<u>35,962</u>
Total U.S. Department of Education		<u><b>656,010</b></u>	<u><b>661,771</b></u>
<b>Total Federal Assistance</b>		<u><b>\$ 769,920</b></u>	<u><b>\$ 775,681</b></u>

*The accompanying notes are an integral part of this schedule.*

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Centerburg Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Centerburg Local School District  
Knox County  
119 South Preston Street  
Centerburg, Ohio 43011

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***District's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 22, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Centerburg Local School District  
Knox County  
119 South Preston Street  
Centerburg, Ohio 43011

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Centerburg Local School District, Knox County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Centerburg Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506  
Phone: 614-466-3402 or 800-443-9275

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 22, 2014

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.027 – Special Education Grants to States
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Noncompliance – Annual Financial Reporting**

**Ohio Rev. Code §117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code §117-2-03 further clarifies the requirements of the Ohio Rev. Code §117.38.

**Ohio Administrative Code §117-2-03(B)** requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that while material, cannot be determined at this time. Pursuant to Ohio Rev. Code §117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District prepare its financial statements in accordance with GAAP.

**Officials’ Response:**

The Board of Education voted unanimously April 2012 res. #061-12 not to report on GAAP. Given the size of the District, the cost to report on GAAP exceeded the benefits.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**None**

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code §117.38 – Annual Financial Report not prepared in accordance with generally accepted accounting principles	No	Reissued as Finding 2014-001

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# Dave Yost • Auditor of State

**CENTERBURG LOCAL SCHOOL DISTRICT**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 27, 2015**