



**Mary Taylor, CPA**  
Auditor of State



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by 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 basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Mary Taylor, CPA**  
Auditor of State

November 5, 2009

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*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, 2009. 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 2009 are as follows:

- The School District re-located the administrative offices to make better use of the vacant School District owned high school building.
- Property was purchased to provide better access should the School District need to expand the use of the athletic fields adjacent to the elementary building.
- Installed a School District wide new phone system and upgraded the security and efficiency of the technology network.

**Using these Basic Financial Statements**

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

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

**Reporting the School District as a Whole**

*Statement of Net Assets and Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2009?" The *Statement of Net Assets* and *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

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

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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors.

In the Statement of Net Assets 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 non-instructional services and extracurricular activities.

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

*Fund Financial Statements*

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

*Governmental Funds*

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

*Proprietary Funds*

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

*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. These funds use the accrual basis of accounting.



**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

**The School District as a Whole**

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

**Table 1**  
**Net Assets**  
**Governmental Activities**

|                                                    | 2009                | 2008                | Change             |
|----------------------------------------------------|---------------------|---------------------|--------------------|
| <b>Assets</b>                                      |                     |                     |                    |
| Current and Other Assets                           | \$8,342,659         | \$8,414,040         | (\$71,381)         |
| Capital Assets, Net                                | 20,654,480          | 21,579,278          | (924,798)          |
| <i>Total Assets</i>                                | <u>28,997,139</u>   | <u>29,993,318</u>   | <u>(996,179)</u>   |
| <b>Liabilities</b>                                 |                     |                     |                    |
| Current Liabilities                                | 2,863,751           | 3,039,871           | (176,120)          |
| Long-Term Liabilities:                             |                     |                     |                    |
| Due Within One Year                                | 300,661             | 279,806             | 20,855             |
| Due in More Than One Year                          | 5,638,782           | 5,848,250           | (209,468)          |
| <i>Total Liabilities</i>                           | <u>8,803,194</u>    | <u>9,167,927</u>    | <u>(364,733)</u>   |
| <b>Net Assets</b>                                  |                     |                     |                    |
| Invested in Capital Assets,<br>Net of Related Debt | 15,572,485          | 16,272,283          | (699,798)          |
| Restricted for:                                    |                     |                     |                    |
| Capital Projects                                   | 217,005             | 170,076             | 46,929             |
| Debt Service                                       | 658,009             | 609,330             | 48,679             |
| Set Asides                                         | 211,935             | 87,985              | 123,950            |
| Other Purposes                                     | 446,051             | 575,417             | (129,366)          |
| Unrestricted                                       | 3,088,460           | 3,110,300           | (21,840)           |
| <i>Total Net Assets</i>                            | <u>\$20,193,945</u> | <u>\$20,825,391</u> | <u>(\$631,446)</u> |

Total assets decreased by \$996,179. The majority of this decrease is capital assets, due to annual depreciation of assets.

Total liabilities decreased by \$364,733. The majority of this decrease is in due in more than one year, due to making annual payments on debt.

By comparing assets and liabilities, one can see the overall position of the School District has decreased slightly as evidenced by the decrease in net assets of \$631,446.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$9,203,848 or 83.34 percent of the total revenue. The most significant portions of the general revenue are grants and entitlements and local property tax. The remaining amount of revenue received was in the form of program revenues, which equates to \$1,840,019 or 16.66 percent of total revenue.

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

Table 2 shows the changes in net assets for fiscal year 2009 compared to 2008:

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

|                                         | 2009                | 2008                | Change             |
|-----------------------------------------|---------------------|---------------------|--------------------|
| <b>Revenues</b>                         |                     |                     |                    |
| Program Revenues:                       |                     |                     |                    |
| Charges for Services                    | \$372,600           | \$374,204           | (\$1,604)          |
| Operating Grants and Contributions      | 1,442,706           | 1,315,625           | 127,081            |
| Capital Grants and Contributions        | 24,713              | 7,331               | 17,382             |
| Total Program Revenues                  | <u>1,840,019</u>    | <u>1,697,160</u>    | <u>142,859</u>     |
| General Revenues:                       |                     |                     |                    |
| Property Taxes                          | 3,054,385           | 2,395,052           | 659,333            |
| Income Taxes                            | 1,018,764           | 823,331             | 195,433            |
| Grants and Entitlements                 | 5,039,052           | 5,055,633           | (16,581)           |
| Investments                             | 85,212              | 219,350             | (134,138)          |
| Miscellaneous                           | 6,435               | 14,369              | (7,934)            |
| Total General Revenues                  | <u>9,203,848</u>    | <u>8,507,735</u>    | <u>696,113</u>     |
| Total Revenues                          | <u>11,043,867</u>   | <u>10,204,895</u>   | <u>838,972</u>     |
| <b>Program Expenses</b>                 |                     |                     |                    |
| Instruction:                            |                     |                     |                    |
| Regular                                 | 4,959,439           | 4,807,497           | (151,942)          |
| Special                                 | 1,703,595           | 1,673,314           | (30,281)           |
| Vocational                              | 198,506             | 187,416             | (11,090)           |
| Student Intervention Services           | 15,524              | 0                   | (15,524)           |
| Support Services:                       |                     |                     |                    |
| Pupils                                  | 428,105             | 324,039             | (104,066)          |
| Instructional Staff                     | 174,156             | 152,511             | (21,645)           |
| Board of Education                      | 13,088              | 9,553               | (3,535)            |
| Administration                          | 902,627             | 819,947             | (82,680)           |
| Fiscal                                  | 348,247             | 339,336             | (8,911)            |
| Operation and Maintenance of Plant      | 1,106,482           | 1,004,384           | (102,098)          |
| Pupil Transportation                    | 855,443             | 621,847             | (233,596)          |
| Central                                 | 16,433              | 13,194              | (3,239)            |
| Operation of Non-Instructional Services | 307,814             | 278,342             | (29,472)           |
| Extracurricular Activities              | 371,518             | 343,357             | (28,161)           |
| Interest and Fiscal Charges             | 274,336             | 279,780             | 5,444              |
| Total Program Expenses                  | <u>11,675,313</u>   | <u>10,854,517</u>   | <u>(820,796)</u>   |
| Increase in Net Assets                  | (631,446)           | (649,622)           | 18,176             |
| <i>Net Assets Beginning of Year</i>     | <u>20,825,391</u>   | <u>21,475,013</u>   | <u>(649,622)</u>   |
| <i>Net Assets End of Year</i>           | <u>\$20,193,945</u> | <u>\$20,825,391</u> | <u>(\$631,446)</u> |

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

Total revenues increased, primarily due to increases in property tax revenues. Knox County did a reappraisal of property values in 2008, increasing overall values throughout the County and increasing the School District's revenue. The increase in expenses was mostly due to increases in salaries. School District employees received step increases and a 2.5 percent base increase in their salaries.

**Governmental Activities**

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. A permanent improvement renewal levy for capital expenditures was approved in March 2008 for 1.5 mills. This levy lessens the burden of ongoing building maintenance and repair costs to the general fund and will run for five years.

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 expenses. Additional supporting services for pupils, staff, transportation and business operations is the second largest area of expense. The remaining amount of program expenses is budgeted to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

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

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

|                                         | Total Cost<br>of Services<br>2009 | Net Cost<br>of Services<br>2009 | Total Cost<br>of Services<br>2008 | Net Cost<br>of Services<br>2008 |
|-----------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Governmental Activities:</b>         |                                   |                                 |                                   |                                 |
| Instruction:                            |                                   |                                 |                                   |                                 |
| Regular                                 | \$4,959,439                       | (\$4,882,568)                   | \$4,807,497                       | (\$4,705,560)                   |
| Special                                 | 1,703,595                         | (1,126,179)                     | 1,673,314                         | (864,105)                       |
| Vocational                              | 198,506                           | (198,506)                       | 187,416                           | (187,416)                       |
| Student Intervention Services           | 15,524                            | (14,265)                        | 0                                 | 0                               |
| Support Services:                       |                                   |                                 |                                   |                                 |
| Pupils                                  | 428,105                           | (195,464)                       | 324,039                           | (324,039)                       |
| Instructional Staff                     | 174,156                           | (174,145)                       | 152,511                           | (148,711)                       |
| Board of Education                      | 13,088                            | (9,734)                         | 9,553                             | (5,471)                         |
| Administration                          | 902,627                           | (894,366)                       | 819,947                           | (819,947)                       |
| Fiscal                                  | 348,247                           | (287,799)                       | 339,336                           | (339,336)                       |
| Operation and Maintenance of Plant      | 1,106,482                         | (1,050,566)                     | 1,004,384                         | (998,384)                       |
| Pupil Transportation                    | 855,443                           | (477,576)                       | 621,847                           | (258,972)                       |
| Central                                 | 16,433                            | (5,003)                         | 13,194                            | (1,764)                         |
| Operation of Non-Instructional Services | 307,814                           | (16,543)                        | 278,342                           | (22,392)                        |
| Extracurricular Activities              | 371,518                           | (228,244)                       | 343,357                           | (201,480)                       |
| Interest and Fiscal Charges             | 274,336                           | (274,336)                       | 279,780                           | (279,780)                       |
| <b>Total</b>                            | <b>\$11,675,313</b>               | <b>(\$9,835,294)</b>            | <b>\$10,854,517</b>               | <b>(\$9,157,357)</b>            |

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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The negative numbers in the chart above demonstrate that the revenues specific to each program are not enough to meet the expenses of the School District. Because the remainder of the expenses are covered by general revenues 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 on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,073,497 and expenditures of \$10,944,691. The net change in fund balance for the year was an increase of \$128,806. The general fund had revenues of \$9,534,773 and expenditures of \$9,364,328. This surplus of \$170,445 is due to an increase in property and income tax revenue. The bond retirement fund had revenues of \$517,188, expenditures of \$456,921, leaving an increase in fund balance of \$60,267.

**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 2009, 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 \$8,747,534. The final budget was \$471,009 less than the actual revenues received in the amount of \$9,218,543. The majority of the difference between estimated and actual revenues was due to higher than anticipated property tax collections. Original budgeted appropriations were \$10,061,220, which is lower than the final budget totaling \$11,061,221. Actual expenditures were \$9,623,069, or \$1,438,152 less than the final budget, due to conservative spending.

The general fund's unencumbered ending cash balance totaled \$3,461,228, which was above the final budgeted amount of \$1,552,067.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 shows fiscal 2009 values compared to 2008. More detailed information is presented in Note 10 to the basic financial statements.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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**Table 4**  
**Capital Assets at June 30**  
**Governmental Activities**

|                             | 2009         | 2008         |
|-----------------------------|--------------|--------------|
| Land                        | \$387,055    | \$362,010    |
| Buildings and Improvements  | 19,054,968   | 19,894,624   |
| Furniture and Equipment     | 834,295      | 858,270      |
| Vehicles                    | 378,162      | 464,374      |
| <i>Total Capital Assets</i> | \$20,654,480 | \$21,579,278 |

All capital assets, except land are reported net of depreciation. As one can see, there was a decrease in capital assets during the fiscal year, this was due to annual depreciation of the School District's assets. This depreciation was partially offset by purchases of assets, including the purchase of a lot adjacent to the elementary school, a new bus and various other items.

*Debt*

Table 5 below summarizes the School District's bonds outstanding. More detailed information is presented in Note 11 to the basic financial statements.

**Table 5**  
**Outstanding Debt at Year End**  
**Governmental Activities**

|                                                  | 2009        | 2008        |
|--------------------------------------------------|-------------|-------------|
| Ohio School Facilities Commission Bonds          | \$1,099,398 | \$1,268,539 |
| Refunded Ohio School Facilities Commission Bonds | 4,367,272   | 4,369,625   |
| <i>Total</i>                                     | \$5,466,670 | \$5,638,164 |

The 2001 school facilities bonds were issued for the local share of the School District's approved master plan with the Ohio School Facilities Commission. These bonds will be fully repaid in fiscal year 2028. 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 \$7,165,898 with an unvoted debt margin of \$126,171. The School District maintains a bond rating of Aaa by Moody's.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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**Current Issues Affecting Financial Condition**

The School District maintains a program of educational excellence. In 2009, Centerburg Local School District earned an effective rating meeting 24 out of 30 criteria on the State Report Card.

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

Information currently available to support an accurate five year forecast is very vague. It is still undetermined as to the impact and implementation of House Bill 1, and the ongoing effects of stimulus funds.

Property taxes remain strong in Knox County, however, fiscal year 2009 saw the first decrease in income tax collections for the School District since the tax's inception in 1989.

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 cut freezes, has placed an undue burden on all districts. The School District will try to maintain our current educational program by remaining vigilant regarding expenses.

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, 175 Union Street, Centerburg, Ohio 43011, or email at [ellen\\_s@treca.org](mailto:ellen_s@treca.org).

# Centerburg Local School District

## Statement of Net Assets

June 30, 2009

|                                                 | <u>Governmental<br/>Activities</u> |
|-------------------------------------------------|------------------------------------|
| <b>Assets</b>                                   |                                    |
| Equity in Pooled Cash and Cash Equivalents      | \$5,162,489                        |
| Materials and Supplies Inventory                | 3,288                              |
| Accounts Receivable                             | 536                                |
| Accrued Interest Receivable                     | 753                                |
| Intergovernmental Receivable                    | 43,786                             |
| Inventory Held for Resale                       | 14,557                             |
| Income Tax Receivable                           | 369,936                            |
| Property Taxes Receivable                       | 2,680,218                          |
| Deferred Charges                                | 67,096                             |
| Nondepreciable Capital Assets                   | 387,055                            |
| Depreciable Capital Assets, Net                 | <u>20,267,425</u>                  |
| <i>Total Assets</i>                             | <u>28,997,139</u>                  |
| <b>Liabilities</b>                              |                                    |
| Accounts Payable                                | 67,477                             |
| Accrued Wages Payable                           | 822,495                            |
| Intergovernmental Payable                       | 231,850                            |
| Matured Compensated Absences Payable            | 43,319                             |
| Deferred Revenue                                | 1,440,269                          |
| Claims Payable                                  | 4,358                              |
| Accrued Interest Payable                        | 253,983                            |
| Long-Term Liabilities:                          |                                    |
| Due Within One Year                             | 300,661                            |
| Due In More Than One Year                       | <u>5,638,782</u>                   |
| <i>Total Liabilities</i>                        | <u>8,803,194</u>                   |
| <b>Net Assets</b>                               |                                    |
| Invested in Capital Assets, Net of Related Debt | 15,572,485                         |
| Restricted for:                                 |                                    |
| Capital Projects                                | 217,005                            |
| Debt Service                                    | 658,009                            |
| Set Asides                                      | 211,935                            |
| Other Purposes                                  | 446,051                            |
| Unrestricted                                    | <u>3,088,460</u>                   |
| <i>Total Net Assets</i>                         | <u><u>\$20,193,945</u></u>         |

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

|                                         | Program Revenues    |                                   |                                                   |                                     | Net (Expense)<br>Revenue and Changes<br>in Net Assets |
|-----------------------------------------|---------------------|-----------------------------------|---------------------------------------------------|-------------------------------------|-------------------------------------------------------|
|                                         | Expenses            | Charges for<br>Services and Sales | Operating Grants<br>Contributions<br>and Interest | Capital Grants<br>and Contributions | Governmental<br>Activities                            |
| <b>Governmental Activities</b>          |                     |                                   |                                                   |                                     |                                                       |
| Instruction:                            |                     |                                   |                                                   |                                     |                                                       |
| Regular                                 | \$4,959,439         | \$35,842                          | \$41,029                                          | \$0                                 | (\$4,882,568)                                         |
| Special                                 | 1,703,595           | 13,065                            | 564,351                                           | 0                                   | (1,126,179)                                           |
| Vocational                              | 198,506             | 0                                 | 0                                                 | 0                                   | (198,506)                                             |
| Student Intervention Services           | 15,524              | 0                                 | 1,259                                             | 0                                   | (14,265)                                              |
| Support Services:                       |                     |                                   |                                                   |                                     |                                                       |
| Pupils                                  | 428,105             | 0                                 | 232,641                                           | 0                                   | (195,464)                                             |
| Instructional Staff                     | 174,156             | 0                                 | 11                                                | 0                                   | (174,145)                                             |
| Board of Education                      | 13,088              | 0                                 | 3,354                                             | 0                                   | (9,734)                                               |
| Administration                          | 902,627             | 7,793                             | 468                                               | 0                                   | (894,366)                                             |
| Fiscal                                  | 348,247             | 0                                 | 60,448                                            | 0                                   | (287,799)                                             |
| Operation and Maintenance of Plant      | 1,106,482           | 8,055                             | 36,783                                            | 11,078                              | (1,050,566)                                           |
| Pupil Transportation                    | 855,443             | 6,092                             | 358,140                                           | 13,635                              | (477,576)                                             |
| Central                                 | 16,433              | 0                                 | 11,430                                            | 0                                   | (5,003)                                               |
| Operation of Non-Instructional Services | 307,814             | 172,261                           | 119,010                                           | 0                                   | (16,543)                                              |
| Extracurricular Activities              | 371,518             | 129,492                           | 13,782                                            | 0                                   | (228,244)                                             |
| Interest and Fiscal Charges             | 274,336             | 0                                 | 0                                                 | 0                                   | (274,336)                                             |
| <b>Totals</b>                           | <b>\$11,675,313</b> | <b>\$372,600</b>                  | <b>\$1,442,706</b>                                | <b>\$24,713</b>                     | <b>(9,835,294)</b>                                    |

**General Revenues**

Property Taxes Levied for:

|                                                             |           |
|-------------------------------------------------------------|-----------|
| General Purposes                                            | 2,487,758 |
| Debt Service                                                | 439,530   |
| Capital Projects                                            | 81,658    |
| Classroom Facilities Maintenance                            | 45,439    |
| Income Taxes Levied for General Purposes                    | 1,018,764 |
| Grants and Entitlements not Restricted to Specific Programs | 5,039,052 |
| Investment Earnings                                         | 85,212    |
| Miscellaneous                                               | 6,435     |

*Total General Revenues* 9,203,848

Change in Net Assets (631,446)

*Net Assets Beginning of Year* 20,825,391

*Net Assets End of Year* \$20,193,945

See accompanying notes to the basic financial statements



**Centerburg Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2009*

|                                               | General            | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------------|--------------------|--------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                                 |                    |                    |                                |                                |
| Equity in Pooled Cash and<br>Cash Equivalents | \$3,555,938        | \$743,579          | \$627,759                      | \$4,927,276                    |
| Restricted Assets:                            |                    |                    |                                |                                |
| Equity in Pooled Cash and<br>Cash Equivalents | 211,935            | 0                  | 0                              | 211,935                        |
| Accounts Receivable                           | 536                | 0                  | 0                              | 536                            |
| Accrued Interest Receivable                   | 753                | 0                  | 0                              | 753                            |
| Intergovernmental Receivable                  | 26                 | 0                  | 43,760                         | 43,786                         |
| Inventory Held for Resale                     | 0                  | 0                  | 14,557                         | 14,557                         |
| Income Tax Receivable                         | 369,936            | 0                  | 0                              | 369,936                        |
| Property Taxes Receivable                     | 2,193,882          | 377,321            | 109,015                        | 2,680,218                      |
| Materials and Supplies Inventory              | 0                  | 0                  | 3,288                          | 3,288                          |
| <i>Total Assets</i>                           | <u>\$6,333,006</u> | <u>\$1,120,900</u> | <u>\$798,379</u>               | <u>\$8,252,285</u>             |
| <br><b>Liabilities and Fund Balances</b>      |                    |                    |                                |                                |
| <b>Liabilities</b>                            |                    |                    |                                |                                |
| Accounts Payable                              | \$57,379           | \$0                | \$10,098                       | \$67,477                       |
| Accrued Wages Payable                         | 770,718            | 0                  | 51,777                         | 822,495                        |
| Intergovernmental Payable                     | 219,899            | 0                  | 11,951                         | 231,850                        |
| Deferred Revenue                              | 1,354,684          | 228,367            | 79,994                         | 1,663,045                      |
| Matured Compensated Absences Payable          | 27,033             | 0                  | 16,286                         | 43,319                         |
| <i>Total Liabilities</i>                      | <u>2,429,713</u>   | <u>228,367</u>     | <u>170,106</u>                 | <u>2,828,186</u>               |
| <br><b>Fund Balances</b>                      |                    |                    |                                |                                |
| Reserved for Encumbrances                     | 250,410            | 0                  | 26,890                         | 277,300                        |
| Reserved for Property Taxes                   | 839,198            | 148,954            | 41,268                         | 1,029,420                      |
| Reserved for Textbooks                        | 37,491             | 0                  | 0                              | 37,491                         |
| Reserved for Capital Improvements             | 174,444            | 0                  | 0                              | 174,444                        |
| Unreserved, Undesignated Reported in:         |                    |                    |                                |                                |
| General Fund                                  | 2,601,750          | 0                  | 0                              | 2,601,750                      |
| Special Revenue Funds                         | 0                  | 0                  | 382,197                        | 382,197                        |
| Debt Service Fund                             | 0                  | 743,579            | 0                              | 743,579                        |
| Capital Projects Fund                         | 0                  | 0                  | 177,918                        | 177,918                        |
| <i>Total Fund Balances</i>                    | <u>3,903,293</u>   | <u>892,533</u>     | <u>628,273</u>                 | <u>5,424,099</u>               |
| <i>Total Liabilities and Fund Balances</i>    | <u>\$6,333,006</u> | <u>\$1,120,900</u> | <u>\$798,379</u>               | <u>\$8,252,285</u>             |

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities*  
 June 30, 2009

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|                                         |                    |
|-----------------------------------------|--------------------|
| <b>Total Governmental Fund Balances</b> | <b>\$5,424,099</b> |
|-----------------------------------------|--------------------|

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

|                                                                                                                         |            |
|-------------------------------------------------------------------------------------------------------------------------|------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 20,654,480 |
|-------------------------------------------------------------------------------------------------------------------------|------------|

Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

|                   |               |
|-------------------|---------------|
| Property Tax      | 210,529       |
| Intergovernmental | <u>12,247</u> |

|       |         |
|-------|---------|
| Total | 222,776 |
|-------|---------|

|                                                                                                                                                                                                                                      |        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | 18,920 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                                                                                                                        |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | (253,983) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                   |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in funds. | 67,096 |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------|

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

|                          |                  |
|--------------------------|------------------|
| General Obligation Bonds | (5,466,670)      |
| Compensated Absences     | <u>(472,773)</u> |

|       |                    |
|-------|--------------------|
| Total | <u>(5,939,443)</u> |
|-------|--------------------|

|                                              |                            |
|----------------------------------------------|----------------------------|
| <i>Net Assets of Governmental Activities</i> | <u><u>\$20,193,945</u></u> |
|----------------------------------------------|----------------------------|

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2009*

|                                         | General            | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------|--------------------|--------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                         |                    |                    |                                |                                |
| Property Taxes                          | \$2,509,704        | \$456,740          | \$125,951                      | \$3,092,395                    |
| Income Taxes                            | 1,018,764          | 0                  | 0                              | 1,018,764                      |
| Intergovernmental                       | 5,839,645          | 60,448             | 579,566                        | 6,479,659                      |
| Interest                                | 85,120             | 0                  | 84                             | 85,204                         |
| Tuition and Fees                        | 65,692             | 0                  | 3,400                          | 69,092                         |
| Extracurricular Activities              | 0                  | 0                  | 126,092                        | 126,092                        |
| Contributions and Donations             | 4,258              | 0                  | 14,182                         | 18,440                         |
| Charges for Services                    | 0                  | 0                  | 172,261                        | 172,261                        |
| Rentals                                 | 5,155              | 0                  | 0                              | 5,155                          |
| Miscellaneous                           | 6,435              | 0                  | 0                              | 6,435                          |
| <i>Total Revenues</i>                   | <u>9,534,773</u>   | <u>517,188</u>     | <u>1,021,536</u>               | <u>11,073,497</u>              |
| <b>Expenditures</b>                     |                    |                    |                                |                                |
| Current:                                |                    |                    |                                |                                |
| Instruction:                            |                    |                    |                                |                                |
| Regular                                 | 4,160,441          | 0                  | 35,361                         | 4,195,802                      |
| Special                                 | 1,509,123          | 0                  | 208,628                        | 1,717,751                      |
| Vocational                              | 185,457            | 0                  | 0                              | 185,457                        |
| Student Intervention Services           | 13,944             | 0                  | 1,580                          | 15,524                         |
| Support Services:                       |                    |                    |                                |                                |
| Pupils                                  | 284,120            | 0                  | 148,707                        | 432,827                        |
| Instructional Staff                     | 141,642            | 0                  | 23,045                         | 164,687                        |
| Board of Education                      | 7,763              | 0                  | 5,325                          | 13,088                         |
| Administration                          | 895,612            | 0                  | 0                              | 895,612                        |
| Fiscal                                  | 335,316            | 9,321              | 2,534                          | 347,171                        |
| Operation and Maintenance of Plant      | 930,464            | 0                  | 206,161                        | 1,136,625                      |
| Pupil Transportation                    | 701,116            | 0                  | 0                              | 701,116                        |
| Central                                 | 0                  | 0                  | 14,172                         | 14,172                         |
| Operation of Non-Instructional Services | 0                  | 0                  | 302,506                        | 302,506                        |
| Extracurricular Activities              | 199,330            | 0                  | 168,548                        | 367,878                        |
| Capital Outlay                          | 0                  | 0                  | 6,875                          | 6,875                          |
| Debt Service:                           |                    |                    |                                |                                |
| Principal Retirement                    | 0                  | 225,000            | 0                              | 225,000                        |
| Interest and Fiscal Charges             | 0                  | 222,600            | 0                              | 222,600                        |
| <i>Total Expenditures</i>               | <u>9,364,328</u>   | <u>456,921</u>     | <u>1,123,442</u>               | <u>10,944,691</u>              |
| <i>Net Change in Fund Balances</i>      | 170,445            | 60,267             | (101,906)                      | 128,806                        |
| <i>Fund Balances Beginning of Year</i>  | <u>3,732,848</u>   | <u>832,266</u>     | <u>730,179</u>                 | <u>5,295,293</u>               |
| <i>Fund Balances End of Year</i>        | <u>\$3,903,293</u> | <u>\$892,533</u>   | <u>\$628,273</u>               | <u>\$5,424,099</u>             |

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009*

**Net Change in Fund Balances - Total Governmental Funds** \$128,806

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

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

|                |                    |
|----------------|--------------------|
| Capital Outlay | 131,111            |
| Depreciation   | <u>(1,055,909)</u> |

Total (924,798)

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

|                   |              |
|-------------------|--------------|
| Property Taxes    | (38,010)     |
| Intergovernmental | <u>8,288</u> |

Total (29,722)

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

225,000

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

|                                |                 |
|--------------------------------|-----------------|
| Accrued Interest on Bonds      | 5,622           |
| Amortization of Premium        | 18,064          |
| Amortization of Loss           | (14,212)        |
| Amortization of Issuance Costs | (3,852)         |
| Bond Accretion                 | <u>(57,358)</u> |

Total (51,736)

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

17,119

The internal service fund used by management to charge the costs of dental insurance is included in the statement of activities and not on the governmental fund statement of revenues and expenditures.

3,885

*Change in Net Assets of Governmental Activities*

(\$631,446)

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2009*

|                                       | Budgeted Amounts |             | Actual      | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-------------|-------------|---------------------------------------------------------|
|                                       | Original         | Final       |             |                                                         |
| <b>Revenues</b>                       |                  |             |             |                                                         |
| Property Taxes                        | \$1,794,600      | \$1,794,600 | \$2,167,258 | \$372,658                                               |
| Income Taxes                          | 1,127,728        | 1,127,728   | 1,043,517   | (84,211)                                                |
| Intergovernmental                     | 5,727,000        | 5,727,000   | 5,839,679   | 112,679                                                 |
| Interest                              | 50,206           | 50,206      | 86,567      | 36,361                                                  |
| Tuition and Fees                      | 48,000           | 48,000      | 65,692      | 17,692                                                  |
| Contributions and Donations           | 0                | 0           | 4,258       | 4,258                                                   |
| Rentals                               | 0                | 0           | 5,155       | 5,155                                                   |
| Miscellaneous                         | 0                | 0           | 6,417       | 6,417                                                   |
| <i>Total Revenues</i>                 | 8,747,534        | 8,747,534   | 9,218,543   | 471,009                                                 |
| <b>Expenditures</b>                   |                  |             |             |                                                         |
| Current:                              |                  |             |             |                                                         |
| Instruction:                          |                  |             |             |                                                         |
| Regular                               | 2,633,229        | 4,208,879   | 4,146,538   | 62,341                                                  |
| Special                               | 1,948,649        | 1,605,808   | 1,562,075   | 43,733                                                  |
| Vocational                            | 1,581            | 190,641     | 185,507     | 5,134                                                   |
| Student Intervention Services         | 39,270           | 39,282      | 17,347      | 21,935                                                  |
| Support Services:                     |                  |             |             |                                                         |
| Pupils                                | 298,187          | 321,667     | 290,800     | 30,867                                                  |
| Instructional Staff                   | 156,669          | 154,241     | 142,143     | 12,098                                                  |
| Board of Education                    | 11,880           | 11,880      | 7,754       | 4,126                                                   |
| Administration                        | 2,810,088        | 2,047,418   | 952,567     | 1,094,851                                               |
| Fiscal                                | 401,138          | 359,238     | 333,653     | 25,585                                                  |
| Operation and Maintenance of Plant    | 735,362          | 1,114,350   | 1,024,380   | 89,970                                                  |
| Pupil Transportation                  | 818,367          | 771,667     | 740,051     | 31,616                                                  |
| Extracurricular Activities            | 206,800          | 236,150     | 220,254     | 15,896                                                  |
| <i>Total Expenditures</i>             | 10,061,220       | 11,061,221  | 9,623,069   | 1,438,152                                               |
| <i>Net Change in Fund Balance</i>     | (1,313,686)      | (2,313,687) | (404,526)   | 1,909,161                                               |
| <i>Fund Balance Beginning of Year</i> | 3,554,529        | 3,554,529   | 3,554,529   | 0                                                       |
| Prior Year Encumbrances Appropriated  | 311,225          | 311,225     | 311,225     | 0                                                       |
| <i>Fund Balance End of Year</i>       | \$2,552,068      | \$1,552,067 | \$3,461,228 | \$1,909,161                                             |

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*June 30, 2009*

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|                           | <u>Insurance</u> |
|---------------------------|------------------|
| <b>Assets</b>             |                  |
| Cash and Cash Equivalents | \$23,278         |
| <b>Liabilities</b>        |                  |
| Claims Payable            | <u>4,358</u>     |
| <b>Net Assets</b>         |                  |
| Unrestricted              | <u>\$18,920</u>  |

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2009*

|                                     | Insurance |
|-------------------------------------|-----------|
| <b>Operating Revenues</b>           |           |
| Charges for Services                | \$68,811  |
| <b>Operating Expenses</b>           |           |
| Purchased Services                  | 6,382     |
| Claims                              | 58,636    |
| <i>Total Operating Expenses</i>     | 65,018    |
| <i>Operating Income</i>             | 3,793     |
| <b>Non-Operating Revenues</b>       |           |
| Interest                            | 92        |
| <i>Change in Net Assets</i>         | 3,885     |
| <i>Net Assets Beginning of Year</i> | 15,035    |
| <i>Net Assets End of Year</i>       | \$18,920  |

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2009

|                                                                | Insurance |
|----------------------------------------------------------------|-----------|
| <b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b> |           |
| <b>Cash Flows from Operating Activities</b>                    |           |
| Cash Received from Interfund Services Provided                 | \$68,811  |
| Cash Payments for Goods and Services                           | (6,382)   |
| Cash Payments for Claims                                       | (60,755)  |
| <i>Net Cash Provided by Operating Activities</i>               | 1,674     |
| <b>Cash Flows from Investing Activities</b>                    |           |
| Interest on Investments                                        | 92        |
| <i>Net Increase in Cash and Cash Equivalents</i>               | 1,766     |
| <i>Cash and Cash Equivalents Beginning of Year</i>             | 21,512    |
| <i>Cash and Cash Equivalents End of Year</i>                   | \$23,278  |
| <br><b><i>Reconciliation of Operating Income</i></b>           |           |
| <b><i>to Net Cash Provided by Operating Activities</i></b>     |           |
| <i>Operating Income</i>                                        | \$3,793   |
| <b>Adjustment</b>                                              |           |
| Decrease in Claims Payable                                     | (2,119)   |
| <i>Net Cash Provided by Operating Activities</i>               | \$1,674   |

See accompanying notes to the basic financial statements



**Centerburg Local School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2009*

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|                                            | <u>Private-Purpose<br/>Trust</u> |                 |
|--------------------------------------------|----------------------------------|-----------------|
|                                            | <u>Scholarship</u>               | <u>Agency</u>   |
| <b>Assets</b>                              |                                  |                 |
| Equity in Pooled Cash and Cash Equivalents | \$134,003                        | <u>\$39,868</u> |
| <b>Liabilities</b>                         |                                  |                 |
| Due to Students                            | <u>0</u>                         | <u>\$39,868</u> |
| <b>Net Assets</b>                          |                                  |                 |
| Held in Trust for Scholarships             | <u>\$134,003</u>                 |                 |

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2009*

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|                                     | <u>Scholarship</u>      |
|-------------------------------------|-------------------------|
| <b>Additions</b>                    |                         |
| Interest                            | \$2,123                 |
| Contributions and Donations         | <u>8,619</u>            |
| <i>Total Additions</i>              | 10,742                  |
| <b>Deductions</b>                   |                         |
| Scholarships Awarded                | <u>15,429</u>           |
| <i>Change in Net Assets</i>         | (4,687)                 |
| <i>Net Assets Beginning of Year</i> | <u>138,690</u>          |
| <i>Net Assets End of Year</i>       | <u><u>\$134,003</u></u> |

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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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 42 classified employees and 82 certificated full-time teaching personnel who provide services to 1,217 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. 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 the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 12 and 13 to the basic financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless these pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. 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 assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

**B. Fund Accounting**

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

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

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

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

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

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

**C. Measurement Focus**

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

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

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

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

**D. Basis of Accounting**

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***E. Cash and Cash Equivalents***

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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During fiscal year 2009, investments were limited to STAROhio, the State Treasurer's Investment Pool. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$85,120, which includes \$22,584 assigned from other School District funds.

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

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either 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 textbooks and capital improvements. See Note 18 for additional information regarding set asides.

***G. Inventory***

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

***H. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

| Description                | Governmental<br>Activities<br>Estimated Lives |
|----------------------------|-----------------------------------------------|
| Buildings and Improvements | 25 - 50 years                                 |
| Furniture and Equipment    | 5 - 20 years                                  |
| Vehicles                   | 8 years                                       |

***I. Compensated Absences***

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

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

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid. The non-current portion of the liability is not reported.

***J. Accrued Liabilities and Long-term Obligations***

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

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

***K. Bond Issuance Costs***

Bond Issuance costs for underwriting fees and bond insurance for the 2001 Ohio School Facilities Commission Bonds and 2007 Refunded Ohio Facilities Commission Bonds are being amortized using the straight-line method over the life of the obligations in the School District's governmental activities. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State Statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.



**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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***L. Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount on the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

***M. Deferred Loss on Refunding***

The difference between the reacquisition price (funds required to refund the old debt) of the Ohio School Facilities Commission refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. The accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented net of the general obligation bonds payable on the statement of net assets.

***N. Fund Balance Reserves***

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

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

***O. Net Assets***

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

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

***P. Operating Revenues and Expenses***

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

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**R. Estimates**

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

**S. Budgetary Data**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original 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 revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**Note 3 – Change in Accounting Principles**

For fiscal year 2009, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the School District's financial statements.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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GASB Statement No. 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. The implementation of this Statement did not result in any change to the School District's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District's financial statements.

**Note 4 – Accountability**

The Title I and Title II-A funds had deficit fund balances of \$15,445 and \$3,932, respectively, at June 30, 2009. The special revenue funds deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and provided transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

| Net Change in Fund Balance              |                           |
|-----------------------------------------|---------------------------|
| GAAP Basis                              | \$170,445                 |
| Net Adjustment for Revenue Accruals     | (316,230)                 |
| Net Adjustment for Expenditure Accruals | 47,904                    |
| Encumbrances                            | <u>(306,645)</u>          |
| Budget Basis                            | <u><u>(\$404,526)</u></u> |

**Note 6 – Cash and Cash Equivalents**

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.

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;

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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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 (STAROhio); 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, \$3,332,574 of the School District's bank balance of \$3,832,574 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 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, 2009, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$1,608,216 has an average maturity of 58.1 days.

**Credit Risk** STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio 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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Knox, Delaware, and Licking Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009 was \$839,198 in the general fund, \$148,954 in the debt service fund, \$25,806 in the permanent improvement capital projects fund and \$15,462 in the classroom facilities special revenue fund. The amount available as an advance at June 30, 2008, was \$496,752 in the general fund, \$105,466 in the debt service fund, \$16,493 in the permanent improvement capital projects fund and \$10,248 in the classroom facilities special revenue fund. The difference was in the timing and collection by the County Auditor.

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

The assessed values upon which the fiscal year 2009 taxes were collected are:

| Type of Coverage                               | Deductible  | Coverage     |
|------------------------------------------------|-------------|--------------|
| Building and Contents-replacement cost         | \$1,000     | \$48,276,179 |
| Crime Insurance                                | 1,000       | 100,000      |
| Automobile Liability                           | 1,000       | 1,000,000    |
| General Liability -<br>Per Occurrence          | 0           | 1,000,000    |
| Per Year                                       | 0           | 3,000,000    |
| Errors and Omissions                           | 1,000       | 100,000      |
| <br>Tax Rate per \$1,000 of assessed valuation | <br>\$38.85 | <br>\$38.20  |

**Note 8 – Income Tax**

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

**Note 9 - Receivables**

Receivables at June 30, 2009, consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, other than delinquent taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivable follows:

| <b>Governmental Activities</b> |                 |
|--------------------------------|-----------------|
| Title VI                       | \$25,379        |
| Title I                        | 13,397          |
| Title II-A                     | 3,851           |
| Miscellaneous                  | 1,159           |
| Total Governmental Activities  | <u>\$43,786</u> |

**Centerburg Local School District**  
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*For the Fiscal Year Ended June 30, 2009*

**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

|                                             | Balance<br>6/30/2008 | Additions            | Deductions      | Balance<br>6/30/2009 |
|---------------------------------------------|----------------------|----------------------|-----------------|----------------------|
| <b>Governmental Activities</b>              |                      |                      |                 |                      |
| <b>Non-Depreciable Assets</b>               |                      |                      |                 |                      |
| Land                                        | \$362,010            | \$25,045             | \$0             | \$387,055            |
| <b>Depreciable Assets</b>                   |                      |                      |                 |                      |
| Building and Improvements                   | 24,857,961           | 0                    | 0               | 24,857,961           |
| Furniture and Equipment                     | 1,301,683            | 30,143               | 0               | 1,331,826            |
| Vehicles                                    | 1,095,647            | 75,923               | (48,359)        | 1,123,211            |
| Total Depreciable Assets                    | <u>27,255,291</u>    | <u>106,066</u>       | <u>(48,359)</u> | <u>27,312,998</u>    |
| <b>Less Accumulated Depreciation:</b>       |                      |                      |                 |                      |
| Building and Improvements                   | (4,963,337)          | (839,656)            | 0               | (5,802,993)          |
| Furniture and Equipment                     | (443,413)            | (54,118)             | 0               | (497,531)            |
| Vehicles                                    | (631,273)            | (162,135)            | 48,359          | (745,049)            |
| Total Accumulated Depreciation              | <u>(6,038,023)</u>   | <u>(1,055,909) *</u> | <u>48,359</u>   | <u>(7,045,573)</u>   |
| Depreciable Capital Assets, Net             | <u>21,217,268</u>    | <u>(949,843)</u>     | <u>0</u>        | <u>20,267,425</u>    |
| Governmental Activities Capital Assets, Net | <u>\$21,579,278</u>  | <u>(\$924,798)</u>   | <u>\$0</u>      | <u>\$20,654,480</u>  |

\* Depreciation expense was charged to governmental functions as follows:

|                                         |                    |
|-----------------------------------------|--------------------|
| Instruction                             |                    |
| Regular                                 | \$787,489          |
| Vocational                              | 10,134             |
| Support Services                        |                    |
| Pupils                                  | 280                |
| Instructional Staff                     | 10,214             |
| Administration                          | 2,253              |
| Operation and Maintenance of Plant      | 8,665              |
| Pupil Transportation                    | 224,143            |
| Central                                 | 2,261              |
| Extracurricular Activities              | 5,057              |
| Operation of Non-Instructional Services | 5,413              |
| Total Depreciation Expense              | <u>\$1,055,909</u> |



**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**Note 11 – Long-Term Obligations**

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

| <u>Debt Issue</u>                              | <u>Interest Rate</u> | <u>Issue Amount</u> | <u>Year of Maturity</u> |
|------------------------------------------------|----------------------|---------------------|-------------------------|
| 2001 Ohio School Facilities Commission Bonds:  |                      |                     |                         |
| Current Interest Serial Bonds                  | 3.4 - 4.3%           | \$1,790,000         | 2001 to 2010            |
| Capital Appreciation Bonds                     | 7.69%                | 336,995             | 2011 to 2013            |
| 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                    |

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

|                                                                   | <u>Principal<br/>Outstanding<br/>June 30, 2008</u> | <u>Additions</u> | <u>Deductions</u> | <u>Principal<br/>Outstanding<br/>June 30, 2009</u> | <u>Amount<br/>Due in<br/>One Year</u> |
|-------------------------------------------------------------------|----------------------------------------------------|------------------|-------------------|----------------------------------------------------|---------------------------------------|
| <b>Governmental Activities</b>                                    |                                                    |                  |                   |                                                    |                                       |
| <b>General Obligation Bonds</b>                                   |                                                    |                  |                   |                                                    |                                       |
| Ohio School Facilities Commission Bonds                           |                                                    |                  |                   |                                                    |                                       |
| Current Interest Serial Bonds                                     | \$690,000                                          | \$0              | \$215,000         | \$475,000                                          | \$230,000                             |
| Capital Appreciation Bonds                                        | 336,995                                            | 0                | 0                 | 336,995                                            | 0                                     |
| Accretion on Capital<br>Appreciation Bonds                        | 241,544                                            | 45,859           | 0                 | 287,403                                            | 0                                     |
| <b>Total Ohio School Facilities<br/>Commission Bonds</b>          | <b>1,268,539</b>                                   | <b>45,859</b>    | <b>215,000</b>    | <b>1,099,398</b>                                   | <b>230,000</b>                        |
| Refunded Ohio School Facilities Commission Bonds                  |                                                    |                  |                   |                                                    |                                       |
| Current Interest Serial Bonds                                     | 1,835,000                                          | 0                | 0                 | 1,835,000                                          | 0                                     |
| Current Interest Term Bonds                                       | 2,250,000                                          | 0                | 10,000            | 2,240,000                                          | 10,000                                |
| Capital Appreciation Bonds                                        | 194,998                                            | 0                | 0                 | 194,998                                            | 0                                     |
| Accretion on Capital<br>Appreciation Bonds                        | 18,677                                             | 11,499           | 0                 | 30,176                                             | 0                                     |
| Premium on Bonds                                                  | 332,679                                            | 0                | 18,064            | 314,615                                            | 0                                     |
| Unamortized Loss                                                  | (261,729)                                          | 0                | (14,212)          | (247,517)                                          | 0                                     |
| <b>Total Refunded Ohio School<br/>Facilities Commission Bonds</b> | <b>4,369,625</b>                                   | <b>11,499</b>    | <b>13,852</b>     | <b>4,367,272</b>                                   | <b>10,000</b>                         |
| <b>Total General Obligation Bonds</b>                             | <b>5,638,164</b>                                   | <b>57,358</b>    | <b>228,852</b>    | <b>5,466,670</b>                                   | <b>240,000</b>                        |
| Compensated Absences                                              | 489,892                                            | 417,967          | 435,086           | 472,773                                            | 60,661                                |
| <b>Total Governmental Activities<br/>Long-Term Liabilities</b>    | <b>\$6,128,056</b>                                 | <b>\$475,325</b> | <b>\$663,938</b>  | <b>\$5,939,443</b>                                 | <b>\$300,661</b>                      |

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the General fund and the Food Service special revenue 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 will be 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 2011 through 2013. The maturity amount of outstanding capital appreciation bonds is \$815,000. The accretion recorded for 2009 was \$45,859, for a total outstanding bond liability of \$624,398.

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

| Redemption Period                          | Redemption Price |
|--------------------------------------------|------------------|
| December 1, 2010 through November 20, 2011 | 101.00%          |
| December 1, 2011 through November 20, 2012 | 100.50           |
| December 1, 2012 and thereafter            | 100.00           |

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 bonds were issued for a twenty-five year period with the final maturity at December 1, 2027.

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 2015.

The maturity amount of outstanding capital appreciation bonds at June 30, 2009 is \$499,000. The accretion recorded for 2009 was \$11,499 for a total outstanding bond liability of \$225,174 at June 30, 2009.

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

| Year  | Amount   |
|-------|----------|
| 2010  | \$10,000 |
| 2011  | 10,000   |
| 2012  | 10,000   |
| 2013  | 10,000   |
| 2014  | 10,000   |
| Total | \$50,000 |

The remaining principal amount of the term bonds (\$295,000) will mature at stated maturity on December 1, 2014.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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The term bonds maturing on December 1, 2019 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u>      |
|-------------|--------------------|
| 2016        | \$320,000          |
| 2017        | 335,000            |
| 2018        | 365,000            |
| Total       | <u>\$1,020,000</u> |

The remaining principal amount of the term bonds (\$390,000) will mature at stated maturity on December 1, 2019.

The term bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u>    |
|-------------|------------------|
| 2024        | \$110,000        |
| 2025        | 120,000          |
| 2026        | 125,000          |
| Total       | <u>\$355,000</u> |

The remaining principal amount of the term bonds (\$130,000) will mature at stated maturity on December 1, 2027.

The overall debt margin of the School District as of June 30, 2009 was \$7,165,898 with an unvoted debt margin of \$126,171. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009 are as follows:

| Fiscal Year<br>Ending June 30 | General Obligation Bonds |                  |                    |                    |                           |                  |
|-------------------------------|--------------------------|------------------|--------------------|--------------------|---------------------------|------------------|
|                               | OSFC Serial              |                  | OSFC Term          |                    | OSFC Capital Appreciation |                  |
|                               | Principal                | Interest         | Principal          | Interest           | Principal                 | Interest         |
| 2010                          | \$230,000                | \$237,601        | \$10,000           | \$197,798          | \$0                       | \$0              |
| 2011                          | 245,000                  | 227,504          | 10,000             | 197,398            | 0                         | 0                |
| 2012                          | 0                        | 0                | 10,000             | 196,998            | 118,103                   | 146,897          |
| 2013                          | 0                        | 0                | 10,000             | 196,598            | 111,586                   | 158,414          |
| 2014                          | 0                        | 0                | 295,000            | 196,198            | 107,306                   | 172,694          |
| 2015-2019                     | 0                        | 0                | 1,420,000          | 691,729            | 194,998                   | 304,002          |
| 2020-2024                     | 1,835,000                | 289,192          | 110,000            | 125,348            | 0                         | 0                |
| 2025-2029                     | 0                        | 0                | 375,000            | 51,669             | 0                         | 0                |
| Total                         | <u>\$2,310,000</u>       | <u>\$754,297</u> | <u>\$2,240,000</u> | <u>\$1,853,736</u> | <u>\$531,993</u>          | <u>\$782,007</u> |

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, 2009, \$4,355,000 of the defeased bonds are still outstanding.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 12 - Jointly Governed Organizations**

***Tri-Rivers Educational Computer Association*** The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Marion, Morrow, Knox, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of TRECA consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid \$32,023 to TRECA during fiscal year 2009 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 2009. 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 13 - Insurance Purchasing Pool**

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

**Note 14 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the School District contracted with Ohio School Plan for various types of insurance as follows:

| Type of Coverage                       | Deductible | Coverage     |
|----------------------------------------|------------|--------------|
| Building and Contents-replacement cost | \$1,000    | \$48,276,179 |
| Crime Insurance                        | 1,000      | 100,000      |
| Automobile Liability                   | 1,000      | 1,000,000    |
| General Liability -                    |            |              |
| Per Occurrence                         | 0          | 1,000,000    |
| Per Year                               | 0          | 3,000,000    |
| Errors and Omissions                   | 1,000      | 100,000      |

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**B. Workers' Compensation**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Insurance Benefits**

Dental insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the third party administrator who in turn pays the claims on the School District's behalf. The claims liability of \$4,358 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

|      | Balance at<br>Beginning of Year | Current Year<br>Claims | Claim<br>Payments | Balance at<br>End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2008 | \$6,538                         | \$59,736               | \$59,797          | \$6,477                   |
| 2009 | 6,477                           | 58,636                 | 60,755            | 4,358                     |

**Note 15 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.06 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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years ended June 30, 2009, 2008, and 2007 were \$103,415, \$94,443, and \$104,939, respectively; 43.69 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal year 2008 and 2007.

***B. 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 plan. 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).

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 a 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 annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligation was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$578,659, \$538,024, and \$516,097, respectively; 83.63 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$601 made by the School District and \$13,340 made by the plan members.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 16 - Postemployment Benefits**

**A. 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 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 is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2009, 4.16 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 2009, this amount was \$16,676.

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, 2009, 2008, and 2007 were \$47,327, \$43,097, and \$49,816 respectively; 43.69 percent has been contributed for fiscal years 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$4,805, \$3,464 and \$3,387 respectively; 43.69 percent has been contribution for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. 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. 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.

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Funding Policy – Ohio law 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 pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$44,512, \$41,386, and \$39,700 respectively; 83.63 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Note 17 - Other Employee Benefits**

***A. Compensated Absences***

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

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

***B. Medical Insurance Benefits***

The School District provides medical insurance to most employees through the Anthem Insurance Company. Monthly Premiums for fiscal year 2008 were \$1,277 for family coverage and \$464 for single coverage.

***C. Life Insurance Benefits***

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

***D. 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.



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**Note 18 - Set Asides**

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

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

|                                                             | Capital<br>Improvements<br>Reserve | Textbooks<br>Instructional<br>Materials<br>Reserve |
|-------------------------------------------------------------|------------------------------------|----------------------------------------------------|
| Set-Aside Reserve Balance as of June 30, 2008               | \$87,985                           | \$0                                                |
| Current Year Set-aside Requirement                          | 175,753                            | 175,753                                            |
| Current Year Offsets                                        | (70,000)                           | 0                                                  |
| Qualifying Disbursements                                    | (19,294)                           | (138,262)                                          |
| <b>Total</b>                                                | <b>\$174,444</b>                   | <b>\$37,491</b>                                    |
| Set-aside Balance Carried<br>Forward to Future Fiscal Years | \$174,444                          | \$37,491                                           |
| Set-aside Reserve Balance as of June 30, 2009               | \$174,444                          | \$37,491                                           |

The total reserve balance for the two set asides at the end of the fiscal year was \$211,935.

**Note 19 - Contingencies**

**A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

**B. Litigation**

The School District is not party to legal proceedings.

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**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

| <b>Federal Grantor/<br/>Pass Through Grantor<br/>Program Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Receipts</b>          | <b>Expenditures</b>      |
|--------------------------------------------------------------------|------------------------------------|--------------------------|--------------------------|
| <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                             | \$ 48,383                | \$ 48,383                |
| Cash Assistance:                                                   |                                    |                          |                          |
| National School Lunch Program                                      | 10.555                             | <u>92,941</u>            | <u>92,941</u>            |
| Total Child Nutrition Cluster                                      |                                    | <u>141,324</u>           | <u>141,324</u>           |
| Total U.S. Department of Agriculture                               |                                    | <u><b>141,324</b></u>    | <u><b>141,324</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                             | 139,843                  | 137,845                  |
| Special Education Grants to States (IDEA Part B)                   | 84.027                             | 223,025                  | 226,962                  |
| Safe and Drug Free Schools and Community                           | 84.186                             | 5,492                    | 5,325                    |
| Innovative Education Program Strategies                            | 84.298                             | 1,906                    | 1,792                    |
| Title II-A Improving Teacher Quality                               | 84.367                             | 35,024                   | 35,562                   |
| Title II-D Education Technology                                    | 84.318                             | <u>768</u>               | <u>947</u>               |
| <i>Total Passed Through Ohio Department of Education</i>           |                                    | <u>406,058</u>           | <u>408,433</u>           |
| Total U.S. Department of Education                                 |                                    | <u><b>406,058</b></u>    | <u><b>408,433</b></u>    |
| <b>Total Federal Awards</b>                                        |                                    | <u><b>\$ 547,382</b></u> | <u><b>\$ 549,757</b></u> |

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

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. 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**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

**Mary Taylor, CPA**  
Auditor of State

November 5, 2009



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Centerburg Local School District, Knox County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Centerburg Local School District, Knox County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

### **Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

**Mary Taylor, CPA**  
Auditor of State

November 5, 2009



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

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

|                     |                                                                                                                      |                                                                                               |
|---------------------|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion                                                                                  | Unqualified                                                                                   |
| <i>(d)(1)(ii)</i>   | Were there any material control weaknesses reported at the financial statement level (GAGAS)?                        | No                                                                                            |
| <i>(d)(1)(ii)</i>   | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No                                                                                            |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                              | No                                                                                            |
| <i>(d)(1)(iv)</i>   | Were there any material internal control weaknesses reported for major federal programs?                             | No                                                                                            |
| <i>(d)(1)(iv)</i>   | Were there any other significant deficiencies in internal control reported for major federal programs?               | No                                                                                            |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion                                                                           | Unqualified                                                                                   |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under § .510?                                                                      | No                                                                                            |
| <i>(d)(1)(vii)</i>  | Major Programs (list):                                                                                               | CFDA # 84.027 – Special Education Grants to States<br>CFDA # 10.555 – Child Nutrition Cluster |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs                                                                                  | Type A: > \$ 300,000<br>Type B: all others                                                    |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee?                                                                                                    | No                                                                                            |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Mary Taylor, CPA

Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Centerburg Local School District, Knox County, Ohio, has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board updated its anti-harassment policy on November 12, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events.
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibiting incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974, "88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment of the Constitution of the United States;
- (10) A requirement that the District administration semiannually provide the President of the District Board a written summary of all reported incidents and post the summary on its web site, if the District has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974, "88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

**Mary Taylor, CPA**  
Auditor of State

November 5, 2009



**Mary Taylor, CPA**  
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  
DECEMBER 8, 2009**