



Dave Yost • Auditor of State



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

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# Dave Yost • 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, 2012, 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.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2012, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2013, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

January 9, 2013

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*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, 2012. 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 2012 are as follows:

- The School District was able to negotiate a complete salary freeze for all employees for fiscal year 2012, and step increases only for fiscal year 2013 and fiscal year 2014. Due to this sacrifice of the School District employees, the School District was able cut personnel expenditures by 3.5 percent, saving the School District over \$400,000, and eliminating the projected deficit for fiscal year 2012.
- The installation of a large solar panel array at both the High School and Elementary sites was completed and significant savings in electric costs are anticipated.
- The School District continued to diligently monitor both revenues and expenses in order to prudently manage the resources needed to educate students.

**Using these Basic Financial Statements**

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

**Reporting the School District as a Whole**

*Statement of Net Assets and Statement of Activities*

The statement of net assets and the statement of activities reflect how the School District did financially during 2012, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts and interest are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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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 food service and extracurricular activities.

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

*Fund Financial Statements*

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

*Governmental Funds*

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

*Proprietary Funds*

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

*Fiduciary Funds*

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

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for 2012 compared to 2011 on a cash basis:

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

	2012	2011	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,944,184	\$4,823,648	\$120,536
<i>Total Assets</i>	<u>4,944,184</u>	<u>4,823,648</u>	<u>120,536</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	320,831	269,846	50,985
Debt Service	728,556	737,491	(8,935)
Set Asides	482,845	488,074	(5,229)
Other Purposes	419,760	482,317	(62,557)
Unrestricted	<u>2,992,192</u>	<u>2,845,920</u>	<u>146,272</u>
<i>Total Net Assets</i>	<u><u>\$4,944,184</u></u>	<u><u>\$4,823,648</u></u>	<u><u>\$120,536</u></u>

Table 2 shows the change in net assets for the year ended June 30, 2012 for governmental activities. Since it is the first year the School District has prepared a statement of activities following cash basis of accounting, revenue and expense comparisons to fiscal year 2011 are not available. In future years, when prior-year information is available, a comparison analysis of government-wide data will be presented.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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Table 2 shows the changes in net assets for fiscal year 2012:

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

	2012
<b>Revenues</b>	
Program Revenues:	
Charges for Services and Sales	\$319,826
Operating Grants and Contributions	1,223,941
Capital Grants and Contributions	15,112
Total Program Revenues	1,558,879
General Revenues:	
Property Taxes	2,871,978
Income Taxes	1,049,509
Grants and Entitlements	5,601,025
Unrestricted Contributions	12,232
Investments	11,988
Miscellaneous	3,796
Total General Revenues	9,550,528
Total Revenues	11,109,407
<b>Program Expenses</b>	
Instruction:	
Regular	4,466,996
Special	1,427,082
Vocational	170,514
Student Intervention Services	209,911
Support Services:	
Pupils	359,281
Instructional Staff	310,796
Board of Education	9,657
Administration	1,071,816
Fiscal	330,323
Operation and Maintenance of Plant	895,106
Pupil Transportation	657,755
Central	7,002
Operation of Non-Instructional Services	262,310
Extracurricular Activities	330,818
Capital Outlay	7,706
Interest and Fiscal Charges	471,798
Total Program Expenses	10,988,871
Increase in Net Assets	120,536
<i>Net Assets Beginning of Year</i>	4,823,648
<i>Net Assets End of Year</i>	\$4,944,184

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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

Some of the significant disbursements during fiscal year 2012 were in the categories of regular and special instruction. Regular instruction disbursements are primarily salary and benefit costs for the School District's teachers.

***Governmental Activities***

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

The majority of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff, transportation and other operations of the School District 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 of Services 2012	Net Cost of Services 2012
<b>Governmental Activities:</b>		
Instruction:		
Regular	\$4,466,996	(\$4,097,643)
Special	1,427,082	(1,111,445)
Vocational	170,514	(169,277)
Student Intervention Services	209,911	66,076
Support Services:		
Pupils	359,281	(356,854)
Instructional Staff	310,796	(160,148)
Board of Education	9,657	(8,063)
Administration	1,071,816	(1,059,234)
Fiscal	330,323	(328,040)
Operation and Maintenance of Plant	895,106	(853,926)
Pupil Transportation	657,755	(642,929)
Central	7,002	(1,602)
Operation of Non-Instructional Services	262,310	(16,958)
Extracurricular Activities	330,818	(210,445)
Capital Outlay	7,706	(7,706)
Interest and Fiscal Charges	471,798	(471,798)
<b>Total</b>	<b>\$10,988,871</b>	<b>(\$9,429,992)</b>

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The negative numbers in the chart on the prior page 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 is 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 beginning on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total revenues of \$11,109,403 and expenditures of \$10,989,095. The net change in fund balance for the year was a increase of \$120,308. The general fund had revenues of \$9,055,472 and expenditures of \$8,917,243. This surplus of \$138,229 is due to a small increase in revenues from the prior fiscal year and an overall reduction in instruction expenditures. The bond retirement fund had revenues of \$472,517 and expenditures of \$481,452, leaving a decrease in fund balance of \$8,935.

**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 2012, 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 \$8,993,400. The final budget was \$31,759 less than the actual revenues received in the amount of \$9,025,159. The majority of the difference between estimated and actual revenues was due to higher than anticipated intergovernmental revenue. Original and final budgeted appropriations and other financing uses were \$10,759,927. Actual expenditures and other financing uses were \$9,197,178, or \$1,562,749 less than the final budget, due to conservative spending.

The general fund's unencumbered ending cash balance totaled \$3,150,853, which was above the final budgeted amount of \$1,556,345.

**Capital Assets and Debt Administration**

*Capital Assets*

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

*Debt*

Table 5 below summarizes the School District's bonds outstanding. 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, 2012*  
*Unaudited*

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

	2012	2011
Ohio School Facilities Commission Bonds	\$509,650	\$727,311
Refunded Ohio School Facilities Commission Bonds	4,364,012	4,364,407
<i>Total</i>	\$4,873,662	\$5,091,718

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 2015. 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 \$7,841,242 with an unvoted debt margin of \$128,573. The School District maintains a bond rating of Aaa by Moody's.

**Current Issues Affecting Financial Condition**

The School District maintains a program of educational excellence. In 2012, Centerburg Local School District earned an Excellent rating meeting 26 out of 26 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 153 and 316.

Property taxes remain consistent in Knox County, and the income tax collections continue slow but steady growth after 2 years of decline.

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.

The School District continues to be proactive in funds management. As revenues continue to decline, the School District reacted by aggressively containing personnel costs, negotiating a complete freeze on all staff salaries for fiscal year 2012, and reducing the high school/middle school staff by 4 positions and the elementary staff by 2 positions. We have cut one administrative position, 2 bus driver positions, 2 janitorial positions, 1 classroom aide and 9 assistant coaching positions. The School District hopes the solar panels will begin to ease the costs of utilities to the School District.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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

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

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

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

**Centerburg Local School District**

*Statement of Net Assets - Cash Basis*

*June 30, 2012*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,944,184
<i>Total Assets</i>	<u>4,944,184</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	320,831
Debt Service	728,556
Set Asides	482,845
Other Purposes	419,760
Unrestricted	<u>2,992,192</u>
<i>Total Net Assets</i>	<u><u>\$4,944,184</u></u>

**Centerburg Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,466,996	\$29,572	\$339,781	\$0	(\$4,097,643)
Special	1,427,082	8,160	307,477	0	(1,111,445)
Vocational	170,514	1,237	0	0	(169,277)
Student Intervention Services	209,911	0	275,987	0	66,076
Support Services:					
Pupils	359,281	2,427	0	0	(356,854)
Instructional Staff	310,796	1,257	149,391	0	(160,148)
Board of Education	9,657	0	1,594	0	(8,063)
Administration	1,071,816	7,582	0	5,000	(1,059,234)
Fiscal	330,323	2,283	0	0	(328,040)
Operation and Maintenance of Plant	895,106	5,626	35,554	0	(853,926)
Pupil Transportation	657,755	4,714	0	10,112	(642,929)
Central	7,002	0	5,400	0	(1,602)
Operation of Non-Instructional Services	262,310	137,445	107,907	0	(16,958)
Extracurricular Activities	330,818	119,523	850	0	(210,445)
Capital Outlay	7,706	0	0	0	(7,706)
Debt Service	471,798	0	0	0	(471,798)
<b>Totals</b>	<b>\$10,988,871</b>	<b>\$319,826</b>	<b>\$1,223,941</b>	<b>\$15,112</b>	<b>(9,429,992)</b>

**General Receipts**

Property Taxes Levied for:

General Purposes	2,344,010
Debt Service	412,474
Capital Projects	72,286
Classroom Facilities Maintenance	43,208
Income Taxes Levied for General Purposes	1,049,509
Grants and Entitlements not Restricted to Specific Programs	5,601,025
Unrestricted Contributions	12,232
Investment Earnings	11,988
Miscellaneous	3,796

*Total General Receipts* 9,550,528

Change in Net Assets 120,536

*Net Assets Beginning of Year - Restated (See Note 3)* 4,823,648

*Net Assets End of Year* \$4,944,184

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Assets, Liabilities and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2012*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,001,174	\$728,556	\$722,980	\$4,452,710
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	482,845	0	0	482,845
<i>Total Assets</i>	<u>\$3,484,019</u>	<u>\$728,556</u>	<u>\$722,980</u>	<u>\$4,935,555</u>
<b>Fund Balances</b>				
Restricted	482,845	728,556	740,591	1,951,992
Assigned	333,166	0	0	333,166
Unassigned (Deficit)	2,668,008	0	(17,611)	2,650,397
<i>Total Fund Balances</i>	<u>3,484,019</u>	<u>728,556</u>	<u>722,980</u>	<u>4,935,555</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,484,019</u>	<u>\$728,556</u>	<u>\$722,980</u>	<u>\$4,935,555</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, 2012*

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<b>Total Governmental Fund Balances</b>	\$4,935,555
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*Amounts reported for governmental activities in the  
statement of net assets are different because*

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

8,629

*Net Assets of Governmental Activities*

\$4,944,184

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,344,010	\$412,474	\$115,494	\$2,871,978
Income Taxes	1,049,509	0	0	1,049,509
Intergovernmental	5,548,587	60,043	1,225,598	6,834,228
Interest	11,984	0	0	11,984
Tuition and Fees	56,349	0	0	56,349
Extracurricular Activities	20,958	0	97,024	117,982
Contributions and Donations	12,232	0	5,850	18,082
Charges for Services	0	0	137,445	137,445
Rentals	8,050	0	0	8,050
Miscellaneous	3,793	0	3	3,796
<i>Total Receipts</i>	<u>9,055,472</u>	<u>472,517</u>	<u>1,581,414</u>	<u>11,109,403</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,076,145	0	390,963	4,467,108
Special	1,124,807	0	302,288	1,427,095
Vocational	170,517	0	0	170,517
Student Intervention Services	0	0	209,911	209,911
Support Services:				
Pupils	334,625	0	24,661	359,286
Instructional Staff	173,275	0	137,524	310,799
Board of Education	7,750	0	1,907	9,657
Administration	1,045,075	0	26,766	1,071,841
Fiscal	314,793	9,654	5,883	330,330
Operation and Maintenance of Plant	775,516	0	119,607	895,123
Pupil Transportation	649,879	0	7,904	657,783
Central	0	0	7,002	7,002
Operation of Non-Instructional Services	0	0	262,321	262,321
Extracurricular Activities	244,861	0	85,957	330,818
Capital Outlay	0	0	7,706	7,706
Debt Service:				
Principal Retirement	0	275,000	0	275,000
Interest and Fiscal Charges	0	196,798	0	196,798
<i>Total Disbursements</i>	<u>8,917,243</u>	<u>481,452</u>	<u>1,590,400</u>	<u>10,989,095</u>
<i>Net Change in Fund Balances</i>	138,229	(8,935)	(8,986)	120,308
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>3,345,790</u>	<u>737,491</u>	<u>731,966</u>	<u>4,815,247</u>
<i>Fund Balances End of Year</i>	<u>\$3,484,019</u>	<u>\$728,556</u>	<u>\$722,980</u>	<u>\$4,935,555</u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**

*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** **\$120,308**

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

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

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*Change in Net Assets of Governmental Activities*

\$120,536

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,346,800	\$2,346,800	\$2,344,010	(\$2,790)
Income Taxes	1,046,000	1,049,000	1,049,509	509
Intergovernmental	5,518,400	5,511,400	5,548,587	37,187
Interest	12,000	12,000	11,984	(16)
Tuition and Fees	60,000	60,000	56,349	(3,651)
Extracurricular Activities	0	0	0	0
Contributions and Donations	1,500	3,500	2,877	(623)
Rentals	5,700	7,700	8,050	350
Miscellaneous	3,000	3,000	3,793	793
<i>Total Receipts</i>	8,993,400	8,993,400	9,025,159	31,759
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,245,684	4,392,078	4,104,590	287,488
Special	1,254,608	1,346,708	1,127,626	219,082
Vocational	198,752	207,552	171,525	36,027
Support Services:				
Pupils	314,470	372,770	334,781	37,989
Instructional Staff	161,848	219,248	181,158	38,090
Board of Education	9,290	9,290	7,750	1,540
Administration	1,406,282	1,405,482	1,082,676	322,806
Fiscal	335,354	367,154	331,191	35,963
Operation and Maintenance of Plant	1,304,096	1,310,319	959,926	350,393
Pupil Transportation	893,052	898,552	683,593	214,959
Extracurricular Activities	213,031	230,531	212,362	18,169
<i>Total Disbursements</i>	10,336,467	10,759,684	9,197,178	1,562,506
<i>Excess of Receipts Under Disbursements</i>	(1,343,067)	(1,766,284)	(172,019)	1,594,265
<b>Other Financing Uses</b>				
Transfers Out	(423,460)	(243)	0	243
<i>Net Change in Fund Balance</i>	(1,766,527)	(1,766,527)	(172,019)	1,594,508
<i>Fund Balance Beginning of Year</i>	2,857,740	2,857,740	2,857,740	0
Prior Year Encumbrances Appropriated	465,132	465,132	465,132	0
<i>Fund Balance End of Year</i>	\$1,556,345	\$1,556,345	\$3,150,853	\$1,594,508

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Fund Net Assets - Cash Basis*  
*Internal Service Fund*  
*June 30, 2012*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,629</u>
<b>Net Assets</b>	
Unrestricted	<u>\$8,629</u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Receipts, Disbursements  
and Changes in Fund Net Assets - Cash Basis  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2012*

	Insurance
<b>Operating Receipts</b>	
Other	224
<b>Operating Disbursements</b>	0
<i>Operating Income</i>	224
<b>Non-Operating Receipts</b>	
Interest	4
<i>Change in Net Assets</i>	228
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	8,401
<i>Net Assets End of Year</i>	\$8,629

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2012*

	Private-Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$127,069	\$44,762
<b>Liabilities</b>		
Undistributed Monies	0	5,589
Due to Students	0	39,173
<i>Total Liabilities</i>	0	\$44,762
<b>Net Assets</b>		
Held in Trust for Scholarships	\$127,069	

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Changes in Fiduciary Net Assets - Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Scholarship
<b>Additions</b>	
Interest	\$356
Contributions and Donations	4,000
Miscellaneous	2,513
<i>Total Additions</i>	6,869
<b>Deductions</b>	
Scholarships Awarded	6,174
<i>Change in Net Assets</i>	695
<i>Net Assets Beginning of Year</i>	126,374
<i>Net Assets End of Year</i>	\$127,069

See accompanying notes to the basic financial statements

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**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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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 39 classified employees and 74 certificated full-time teaching personnel who provide services to 1,167 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 11 and 12 to the basic financial statements.

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

As discussed further in the Basis of Accounting Portion of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its governmental activities and internal service fund. Following are the more significant of the School District's accounting policies.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***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.

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

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

***Fund Accounting***

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

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

***Proprietary Fund Type*** Proprietary funds reporting focuses on the determination of operating income, changes in net 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.

***Basis of Accounting***

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

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

***Cash and Cash Equivalents***

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

During fiscal year 2012, investments were limited to STAR Ohio, the State Treasurer's Investment Pool. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2012.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$11,984, which includes \$3,564 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.

***Restricted Assets***

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

***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Accumulated Leave***

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

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

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Note 14 and 15, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-term Obligations***

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

***Fund Balance***

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

***Net Assets***

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

***Interfund Transactions***

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

***Budgetary Data***

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

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

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

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

***Change in Basis of Accounting***

For 2012, the School District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2.

***Restatement of Fund Equity***

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the School District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General	Bond Retirement Fund	Other Governmental	Total
Fund Balances at June 30, 2011	\$3,643,033	\$888,748	\$810,813	\$5,342,594
Eliminate Asset Accruals	(2,898,930)	(406,638)	(648,774)	(3,954,342)
Eliminate Inventory	0	0	(32,470)	(32,470)
Eliminate Liability Accruals	2,601,687	255,381	602,397	3,459,465
Adjusted Fund Balance July 1, 2011	<u>\$3,345,790</u>	<u>\$737,491</u>	<u>\$731,966</u>	<u>\$4,815,247</u>

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

	Governmental Activities	Internal Service Fund
Net Assets June 30, 2011	\$19,421,892	\$6,500
Eliminate Government-Wide Financial Statements Adjustments:		
Inventory	(32,470)	0
Accounts Receivable	(540)	0
Accrued Interest Receivable	(87)	0
Intergovernmental Receivable	(564,966)	0
Income Tax Receivable	(370,298)	0
Property Taxes Receivable	(3,018,451)	0
Capital Assets	(18,936,549)	0
Deferred Charges	(59,392)	0
Accounts Payable	73,255	0
Accrued Wages	788,230	0
Contracts Payable	4,255	0
Intergovernmental Payable	184,675	0
Accrued Interest Payable	114,916	0
Matured Compensated Absences	34,557	0
Deferred Revenue	1,702,856	0
Claims Payable	1,901	1,901
Long-Term Liabilities:		
Due Within One Year	338,858	0
Due in More Than One Year	5,141,006	0
Adjusted Net Assets July 1, 2011	\$4,823,648	\$8,401

**Note 4 – Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total
<b><i>Restricted for</i></b>				
Food Service Operations	\$0	\$0	\$24,462	\$24,462
Classroom Maintenance	0	0	351,042	351,042
District Managed Activities	0	0	32,096	32,096
Special Education	0	0	7,481	7,481
Capital Improvements	482,845	0	0	482,845
Other Purposes	0	0	4,679	4,679
Debt Service Payments	0	728,556	0	728,556
Capital Improvements	0	0	320,831	320,831
<b><i>Total Restricted</i></b>	<b>482,845</b>	<b>728,556</b>	<b>740,591</b>	<b>1,951,992</b>
<b><i>Assigned to</i></b>				
Other Purposes	333,166	0	0	333,166
<b><i>Unassigned (Deficit)</i></b>	<b>2,668,008</b>	<b>0</b>	<b>(17,611)</b>	<b>2,650,397</b>
<b><i>Total Fund Balances</i></b>	<b>\$3,484,019</b>	<b>\$728,556</b>	<b>\$722,980</b>	<b>\$4,935,555</b>

**Note 5 – Accountability**

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

**Note 6 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis), including funds budgeted elsewhere, amounted to \$312,434. Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on cash basis. This includes public school support fund (assigned).

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 7 – 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;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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, \$3,221,538 of the School District's bank balance of \$5,228,852 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, 2012, the School District only had an investment in STAR Ohio, the State Treasurer's Investment Pool. This investment of \$109,919 has an average maturity of 52.5 days.

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

## **Note 8 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Knox and Morrow Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$126,614,640	97.81%	\$128,323,950	97.77%
Public Utility Personal	2,684,750	2.07	2,933,440	2.23
General Business Personal	146,630	0.12	0	0.00
	\$129,446,020	100.00%	\$131,257,390	100.00%
Tax Rate per \$1,000 of assessed valuation		\$39.00		\$39.00

**Note 9 – 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 10 – 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:

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Principal Outstanding June 30, 2011	Additions	Deductions	Principal Outstanding June 30, 2012	Amount Due in One Year
<b>Governmental Activities</b>					
<i>General Obligation Bonds</i>					
Ohio School Facilities					
Commission Bonds					
Capital Appreciation Bonds	\$336,995	\$0	\$118,103	\$218,892	\$111,586
Accretion on Capital Appreciation Bonds	390,316	47,339	146,897	290,758	158,414
Total Ohio School Facilities					
Commission Bonds	727,311	47,339	265,000	509,650	270,000
Refunded Ohio School Facilities					
Commission Bonds					
Current Interest Serial Bonds	1,835,000	0	0	1,835,000	0
Current Interest Term Bonds	2,220,000	0	10,000	2,210,000	10,000
Capital Appreciation Bonds	194,998	0	0	194,998	0
Accretion on Capital Appreciation Bonds	55,015	13,457	0	68,472	0
Premium on Bonds	278,487	0	18,064	260,423	0
Unamortized Loss	(219,093)	0	(14,212)	(204,881)	0
Total Refunded Ohio School Facilities Commission Bonds	4,364,407	13,457	13,852	4,364,012	10,000
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$5,091,718</u>	<u>\$60,796</u>	<u>\$278,852</u>	<u>\$4,873,662</u>	<u>\$280,000</u>

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

In 2001, the School District issued \$6,481,995 in Ohio School Facilities Commission (OSFC) bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$1,790,000, \$4,355,000 and \$336,995, respectively. The OSFC bonds were issued for construction of new school buildings. The bonds were issued for a twenty-five year period with the final maturity at December 1, 2027. The bonds 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 2012 through 2014. The maturity amount of outstanding capital appreciation bonds is \$550,000. The accretion recorded for 2012 was \$47,339, for a total outstanding bond liability of \$509,650.

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

The maturity amount of outstanding capital appreciation bonds at June 30, 2011 is \$499,000. The accretion recorded for 2011 was \$13,457 for a total outstanding bond liability of \$263,470 at June 30, 2012.

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:

<u>Year</u>	<u>Amount</u>
2013	\$10,000
2014	10,000
Total	<u><u>\$20,000</u></u>

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

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><u>\$1,020,000</u></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, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

The overall debt margin of the School District as of June 30, 2012 was \$7,841,242 with an unvoted debt margin of \$128,573. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds					
	OSFC Serial		OSFC Term		OSFC Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$0	\$0	\$10,000	\$196,598	\$111,586	\$158,414
2014	0	0	10,000	196,198	107,306	172,694
2015	0	0	295,000	195,798	0	0
2016	0	0	0	0	194,998	304,002
2017	0	0	320,000	183,998	0	0
2018-2022	870,000	184,844	1,090,000	437,281	0	0
2023-2027	965,000	104,348	355,000	46,271	0	0
2028	0	0	130,000	5,398	0	0
<b>Total</b>	<b>\$1,835,000</b>	<b>\$289,192</b>	<b>\$2,210,000</b>	<b>\$1,261,542</b>	<b>\$413,890</b>	<b>\$635,110</b>

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, 2012, \$4,095,000 of the defeased bonds are still outstanding.

**Note 11 - 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 \$32,537 to TRECA during fiscal year 2012 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 2012. 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.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 12 - 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 Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 13 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, 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	\$48,767,767
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	2,500	1,000,000

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

***Workers' Compensation***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

***Employee Insurance Benefits***

As of July 1, 2010, the School District is no longer self insured. The self insurance fund is being utilized for the transition period to account for any run off claims dated prior to June 30, 2010.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 14 - Defined Benefit Pension Plans**

***School Employees Retirement System***

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$148,162, \$139,189 and \$151,973, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

***State Teachers Retirement System***

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, 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.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$512,648 and \$16,871 for the fiscal year ended June 30, 2012, \$590,219 and \$15,758 for the fiscal year ended June 30, 2011, and \$592,285 and \$17,597 for the fiscal year ended June 30, 2010. For fiscal year 2012, 83.40 percent has been contributed for the DB plan and 83.40 percent has been contributed for the Combined Plan. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$9,668 made by the School District and \$6,906 made by the plan members. In addition, member contributions of \$12,051 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 15 - Postemployment Benefits**

***School Employees Retirement System***

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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Code Section 105(e). For 2012, .55 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 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$18,313 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,750, \$16,854, and \$5,470, respectively. 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, 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, 2012, 2011, and 2010, were \$8,750, \$8,957, and \$5,265 respectively; 100 percent has been contributed for fiscal year 2012, 2011 and 2010.

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$42,665, \$45,401, and \$45,560 respectively. For 2012, 83.40 percent has been contributed. The full amount has been contributed for fiscal year 2011 and 2010.

**Note 16 - Other Employee Benefits**

***Medical Insurance Benefits***

The School District provides medical insurance to most employees through the Anthem Insurance Company. Monthly premiums for fiscal year 2012 were \$1,489 for family coverage and \$541 for single coverage.

***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.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***Deferred Compensation***

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

**Note 17 - Set Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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.

	<u>Capital Improvements Reserve</u>
Set-Aside Reserve Balance as of June 30, 2011	\$364,262
Current Year Set-aside Requirement	199,083
Current Year Offsets	(75,500)
Qualifying Disbursements	<u>(5,000)</u>
Total	<u>\$482,845</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$482,845</u>
Set-aside Reserve Balance as of June 30, 2012	<u>\$482,845</u>

The total reserve balance at the end of the fiscal year was \$482,845.

**Note 18 - Contingencies**

***Grants***

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

***Litigation***

The School District is not party to legal proceedings.

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 38,682	\$ 38,682
Cash Assistance:			
National School Lunch Program	10.555	91,977	91,977
Total Child Nutrition Cluster		<u>130,659</u>	<u>130,659</u>
Total U.S. Department of Agriculture		<u><b>130,659</b></u>	<u><b>130,659</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Safe and Drug Free Schools and Community - National Programs	84.184	51,808	52,897
Safe and Drug Free Schools and Community	84.186	1,593	1,908
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Education Agencies	84.010	151,663	168,658
ARRA - Title I Grants to Local Educational Agencies	84.389	38,601	38,776
Total Title I Grants Cluster		<u>190,264</u>	<u>207,434</u>
Special Education Grants to States (IDEA Part B)	84.027	230,694	239,185
ARRA - Special Education Grants to States (IDEA Part B)	84.391	28,304	30,594
Total Special Education Grants to States (IDEA Part B) Cluster		<u>258,998</u>	<u>269,779</u>
Title II-A Improving Teacher Quality	84.367	32,683	36,675
Title II-D Education Technology	84.318	1,148	1,199
21st Century	84.287	224,179	204,094
Education Jobs	84.410	287,480	287,480
ARRA - Race To The Top	84.395	18,469	22,243
ARRA - State Fiscal Stabilization Fund	84.394	-	41,627
Total U.S. Department of Education		<u><b>1,066,622</b></u>	<u><b>1,125,336</b></u>
<b>Total Federal Awards</b>		<u><b>\$ 1,197,281</b></u>	<u><b>\$ 1,255,995</b></u>

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

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 9, 2013, wherein we noted the District revised its financial statement presentation and uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Centerburg Local School District  
Knox County  
Independent Accountant's Report on Internal Control  
Over Financial Reporting and on Compliance and Other  
Matters Required by Government Auditing Standards  
Page 2

The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 9, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### 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 could directly and materially affect each of the Centerburg Local School District's major federal programs for the year ended June 30, 2012. 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 each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the Centerburg Local School District 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, 2012.

### 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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 9, 2013

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 84.287 – 21 <sup>st</sup> Century Community Learning Centers CFDA # 84.410 Education Job
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-01**

**Noncompliance**

**Annual Financial Report**

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

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

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

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

**Officials’ Response:**

The board of education voted unanimously April, 2012 res. # 061-12 not to report on GAAP. Given the size of the District, the cost to report on GAAP exceeds the benefit.

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



# Dave Yost • Auditor of State

**CENTERBURG LOCAL SCHOOL DISTRICT**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 29, 2013**