



**Auditor of State  
Betty Montgomery**



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**TABLE OF CONTENTS**

Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets Of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund .....	19
Statement of Fund Net Assets – Internal Service Fund.....	20
Statement of Revenues, Expenses and Changes in Fund Net Assets Internal Service Fund.....	21
Statement of Cash Flows – Internal Service Fund .....	22
Statement of Fiduciary Net Assets – Fiduciary Funds.....	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	24
Notes to the Basic Financial Statements .....	25
Schedule of Federal Awards Receipts and Expenditures.....	49
Notes to Schedule of Federal Awards Receipts and Expenditures .....	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	53
Schedule of Findings.....	55
Schedule of Prior Audit Findings.....	56

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, 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 controls over financial reporting and compliance and the result 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures provides additional information and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditure to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

December 16, 2005

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*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, 2005. 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 2005 are as follows:

- In total, net assets decreased by \$949,820.
- Revenues for governmental activities totaled \$9,370,337 in 2005. Of this total, 86.2 percent consisted of general revenues while program revenues accounted for the balance of 13.8 percent.
- Program expenses totaled \$10,320,157. Instructional expenses made up 55.9 percent of this total while support services accounted for 38.2 percent. Other expenses rounded out the remaining 5.9 percent.
- Outstanding general obligation bonded debt decreased to \$6,185,199 from \$6,366,399 in 2005.

**Using these Basic Financial Statements**

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

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

**Reporting the School District as a Whole**

*Statement of Net Assets and Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2005?" The *Statement of Net Assets* and *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors. Non-financial factors may include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

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

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. 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, the Ohio school facilities capital projects fund, and the bond retirement debt service fund.

#### *Governmental Funds*

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

### **The School District as a Whole**

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

Total assets decreased by \$1,293,524. The majority of this decrease is due to a restatement of capital assets, and reduction of cash held in construction escrow accounts.

Total liabilities decreased by \$343,704, due to a decrease in contracts payable and retainage payable due to completion of capital projects.

By comparing assets and liabilities, one can see the overall position of the School District has decreased slightly as evidenced by the decrease in net assets of \$949,820.



**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$8,072,880 or 86.2 percent of the total revenue. The most significant portions of the general revenue are grants and entitlements, and local property tax. The remaining amount of revenue received was in the form of program revenues, which equates to \$1,297,457 or 13.8 percent of total revenue.

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

	2005	2004
<b>Assets</b>		
Current and Other Assets	\$7,133,245	\$7,658,133
Capital Assets, Net	23,506,378	24,275,014
<i>Total Assets</i>	<i>30,639,623</i>	<i>31,933,147</i>
<b>Liabilities</b>		
Current Liabilities	2,888,414	3,063,017
Long-Term Liabilities:		
Due Within One Year	272,895	231,450
Due in More Than One Year	6,431,351	6,641,897
<i>Total Liabilities</i>	<i>9,592,660</i>	<i>9,936,364</i>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	17,444,383	17,998,019
Restricted for:		
Capital Projects	212,265	1,088,794
Debt Service	538,233	551,821
Set Asides	62,982	78,536
Other Purposes	589,976	198,392
Unrestricted	2,199,124	2,081,221
<i>Total Net Assets</i>	<i>\$21,046,963</i>	<i>\$21,996,783</i>

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2005 compared to 2004:

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

	2005	2004
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$344,861	\$327,645
Operating Grants and Contributions	948,798	449,464
Capital Grants and Contributions	3,798	258,016
Total Program Revenues	<u>1,297,457</u>	<u>1,035,125</u>
General Revenues:		
Property Taxes	2,044,838	2,737,104
Income Taxes	789,331	757,226
Grants and Entitlements	5,143,498	5,229,593
Investments	91,243	61,413
Miscellaneous	3,970	78,395
Total General Revenues	<u>8,072,880</u>	<u>8,863,731</u>
Total Revenues	<u>9,370,337</u>	<u>9,898,856</u>
<b>Program Expenses</b>		
Instruction:		
Regular	4,504,469	4,153,995
Special	1,088,341	1,114,124
Vocational	171,145	198,656
Support Services:		
Pupils	444,661	336,723
Instructional Staff	199,455	144,421
Board of Education	6,002	6,935
Administration	1,204,291	860,931
Fiscal	295,709	270,062
Operation and Maintenance of Plant	790,591	818,466
Pupil Transportation	720,267	656,038
Central	13,990	14,569
Food Service Operations	267,739	276,461
Extracurricular Activities	296,864	288,698
Interest and Fiscal Charges	316,633	331,950
Total Program Expenses	<u>10,320,157</u>	<u>9,472,029</u>
Increase / Decrease in Net Assets	(949,820)	426,827
<i>Net Assets Beginning of Year</i>	<u>21,996,783</u>	<u>21,569,956</u>
<i>Net Assets End of Year</i>	<u>\$21,046,963</u>	<u>\$21,996,783</u>

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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Total revenues decreased by 5.34 percent this reduction was due to:

- An almost \$255,000 reduction in capital grants and contributions due to the completion of the new elementary and high schools.
  
- Property taxes revenues decreased by 25.29 percent due to fluctuations in the amount available for advances from the school district's counties.

Total expenses increased by 12.02 percent this increase was due to:

- Increased depreciation cost for the new elementary and high schools charged to various instruction and support services expenses.
  
- Administration expenses increased by 22.78 percent due to increased capital outlay charges to complete the new buildings.

***Governmental Activities***

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. A permanent improvement renewal levy for capital expenditures was approved in November 2003 for 1.5 mills. This levy lessens the burden of ongoing building maintenance and repair costs to the general fund and will run for five years, generating approximately \$69,000 in tax revenue per year.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 55.9 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff, transportation and business operations encompass 38.2 percent. The remaining amount of program expenses, 5.9 percent, is budgeted to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

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

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$4,504,469	(\$4,395,627)	\$4,153,995	(\$3,988,018)
Special	1,088,341	(562,136)	1,114,124	(909,618)
Vocational	171,145	(129,484)	198,656	(198,656)
Support Services:				
Pupils	444,661	(292,161)	336,723	(269,418)
Instructional Staff	199,455	(151,832)	144,421	(115,260)
Board of Education	6,002	(6,002)	6,935	(6,935)
Administration	1,204,291	(1,197,568)	860,931	(670,862)
Fiscal	295,709	(295,709)	270,062	(270,062)
Operation and Maintenance of Plant	790,591	(788,591)	818,466	(818,466)
Pupil Transportation	720,267	(720,267)	656,038	(656,038)
Central	13,990	(4,990)	14,569	(2,644)
Food Service Operations	267,739	11,388	276,461	(41,962)
Extracurricular Activities	296,864	(173,088)	288,698	(157,015)
Interest and Fiscal Charges	316,633	(316,633)	331,950	(331,950)
<b>Total</b>	<b>10,320,157</b>	<b>(\$9,022,700)</b>	<b>\$9,472,029</b>	<b>(\$8,436,904)</b>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 19.9 percent of expenses are directly supported by local property taxes. Grant and entitlements not restricted to specific programs support 49.8 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues account for 12.6 percent of all governmental expenses.

**School District's Funds**

Information regarding the School District's major funds can be found on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,502,518 and expenditures of \$9,758,953. The net change in fund balance for the year was a decrease of \$256,075.

**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 2005, 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.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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For the General fund, the final budget basis estimated revenue actual totaled \$8,104,186, which was very close to the original estimate of \$7,504,186. Final budget basis appropriations totaled \$9,567,949 and there was no change from the original permanent appropriations.

The general fund's unencumbered ending cash balance totaled \$2,486,001, which was above the original budgeted amount of \$145,538.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2005, the School District had \$23,506,378 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2005 values compared to 2004. More detailed information is presented in Note 10 to the basic financial statements.

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

	2005	2004
Land	\$362,010	\$362,010
Buildings and Improvements	21,862,929	22,637,822
Furniture and Equipment	874,035	950,407
Vehicles	407,404	324,775
<i>Total Capital Assets</i>	<b>\$23,506,378</b>	<b>\$24,275,014</b>

All capital assets, except land are reported net of depreciation. As one can see, there was a decrease in capital assets during the fiscal year, due to a reevaluation of capital assets done as of 6/30/2005 and an increase in the capital assets threshold from \$500 in FY 2004 to \$5,000 in FY 2005.

*Debt*

At June 30, 2005 the School District had \$6,085,199 of Ohio school facilities construction bonds and \$100,000 of energy conservation bonds outstanding. Table 5 below summarizes the School District's bonds outstanding. More detailed information is presented in Note 11 to the basic financial statements.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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

	2005	2004
Ohio School Facilities Commission Bonds	\$6,085,199	\$6,216,399
Energy Conservation Bonds	100,000	150,000
<i>Total</i>	\$6,185,199	\$6,366,399

The 2001 school facilities bonds were issued for the local share of the School District's approved master plan with the Ohio School Facilities Commission. These bonds will be fully repaid in calendar year 2027. The energy conservation notes were issued for capital improvements under House Bill 264. Improvements were approved by the Ohio Department of Education for energy conservation measures resulting in operating cost savings. These bonds will be fully repaid in calendar year 2007.

The School District's overall legal debt margin was \$3,049,467 with an unvoted debt margin of \$95,185. 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 2005, Centerburg Local School District earned an effective rating with meeting 17 out of 23 score on the State Report Card.

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

On August 14, 2000, the State Controlling Board approved the School District's participation in the Facilities Program with \$4,682,000 as the local share of twenty percent and \$18,725,528 as the State share of eighty percent. The School District decided to meet its local share by issuing bonds. In addition, the School District decided to fund its maintenance obligation for the project with a one-half mill levy.

Although the School District relies heavily on its property taxpayers to support its operations, the community support for the school is very strong. On November 7, 2000, the voters approved all of the following:

- 1.70 mill levy not to exceed 27 years, for the purpose of adding an auditorium to the high school construction plan
- 4.86 mill levy not to exceed 23 years, for the local share of the Ohio School Facilities building project
- .50 mill levy not to exceed 23 years, for maintenance of the new facilities built during the Ohio School Facilities building project

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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The community last passed an operating levy May, 1986, for a continuing period of time. The above mentioned building issues were approved the initial time on the ballot. In May 1997, the School District passed an increase to their income tax rate of .25 percent, which brought the income tax rate to a total current collection rate of .75 percent. The income tax is a very valuable tool as Centerburg has evolved from an agricultural community to a bedroom community of Columbus.

Centerburg Local School District does not anticipate any meaningful growth in State revenue due to the recently adopted biennial budget, and the unknown affects of HB 66.

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

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

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

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ellen Ratliff, Treasurer, at Centerburg Local School District, 175 Union Street, Centerburg, Ohio 43011, or email at [ellen\\_r@treca.org](mailto:ellen_r@treca.org).

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# Centerburg Local School District

## Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,319,165
Cash and Cash Equivalents in Segregated Accounts	48,621
Accounts Receivable	507
Intergovernmental Receivable	8,051
Inventory Held for Resale	4,301
Income Tax Receivable	316,535
Property Taxes Receivable	2,434,879
Materials and Supplies Inventory	1,186
Nondepreciable Capital Assets	362,010
Depreciable Capital Assets, Net	<u>23,144,368</u>
<i>Total Assets</i>	<u>30,639,623</u>
<b>Liabilities</b>	
Accounts Payable	209,216
Contracts Payable	9,360
Accrued Wages Payable	743,043
Intergovernmental Payable	247,050
Deferred Revenue	1,650,347
Claims Payable	5,714
Accrued Interest Payable	23,684
Long-Term Liabilities:	
Due Within One Year	272,895
Due In More Than One Year	<u>6,431,351</u>
<i>Total Liabilities</i>	<u>9,592,660</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	17,444,383
Restricted for:	
Capital Projects	212,265
Debt Service	538,233
Set Asides	62,982
Other Purposes	589,976
Unrestricted	<u>2,199,124</u>
<i>Total Net Assets</i>	<u><u>\$21,046,963</u></u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,504,469	\$25,371	\$83,471	\$0	(\$4,395,627)
Special	1,088,341	0	526,205	0	(562,136)
Vocational	171,145	0	41,661	0	(129,484)
Support Services:					
Pupils	444,661	0	152,500	0	(292,161)
Instructional Staff	199,455	0	47,623	0	(151,832)
Board of Education	6,002	0	0	0	(6,002)
Administration	1,204,291	0	2,925	3,798	(1,197,568)
Fiscal	295,709	0	0	0	(295,709)
Operation and Maintenance of Plant	790,591	2,000	0	0	(788,591)
Pupil Transportation	720,267	0	0	0	(720,267)
Central	13,990	0	9,000	0	(4,990)
Food Service Operations	267,739	196,784	82,343	0	11,388
Extracurricular Activities	296,864	120,706	3,070	0	(173,088)
Interest and Fiscal Charges	316,633	0	0	0	(316,633)
<i>Totals</i>	<u>\$10,320,157</u>	<u>\$344,861</u>	<u>\$948,798</u>	<u>\$3,798</u>	<u>(9,022,700)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	1,496,930
Debt Service	495,941
Capital Projects	51,967
Income Taxes Levied for General Purposes	789,331
Grants and Entitlements not Restricted to Specific Programs	5,143,498
Investment Earnings	91,243
Miscellaneous	3,970
<i>Total General Revenues</i>	<u>8,072,880</u>
Change in Net Assets	(949,820)
<i>Net Assets Beginning of Year (Restated - See Note 3)</i>	<u>21,996,783</u>
<i>Net Assets End of Year</i>	<u><u>\$21,046,963</u></u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2005*

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,680,400	\$553,716	\$484,757	\$522,638	\$4,241,511
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	62,982	0	0	0	62,982
Accounts Receivable	220	0	0	287	507
Intergovernmental Receivable	0	0	0	8,051	8,051
Inventory Held for Resale	0	0	0	4,301	4,301
Interfund Receivable	45,434	0	0	367,588	413,022
Income Tax Receivable	316,535	0	0	0	316,535
Property Taxes Receivable	1,774,494	555,849	0	104,536	2,434,879
Materials and Supplies Inventory	0	0	0	1,186	1,186
<i>Total Assets</i>	<u>\$4,880,065</u>	<u>\$1,109,565</u>	<u>\$484,757</u>	<u>\$1,008,587</u>	<u>\$7,482,974</u>
 <b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$64,474	\$0	\$115,992	\$28,750	\$209,216
Contracts Payable	9,360	0	0	0	9,360
Accrued Wages Payable	708,989	0	0	34,054	743,043
Intergovernmental Payable	236,692	0	0	10,358	247,050
Deferred Revenue	1,239,086	441,532	0	71,778	1,752,396
Interfund Payable	0	0	367,588	45,434	413,022
<i>Total Liabilities</i>	<u>2,258,601</u>	<u>441,532</u>	<u>483,580</u>	<u>190,374</u>	<u>3,374,087</u>
 <b>Fund Balances</b>					
Reserved for Encumbrances	151,369	0	0	20,559	171,928
Reserved for Property Taxes	535,408	114,317	0	32,758	682,483
Reserved for Textbooks	52,767	0	0	0	52,767
Reserved for Capital Improvements	10,215	0	0	0	10,215
Unreserved, Undesignated					
Reported in:					
General Fund	1,871,705	0	0	0	1,871,705
Special Revenue Funds	0	0	0	602,105	602,105
Debt Service Fund	0	553,716	0	0	553,716
Capital Projects Funds	0	0	1,177	162,791	163,968
<i>Total Fund Balances</i>	<u>2,621,464</u>	<u>668,033</u>	<u>1,177</u>	<u>818,213</u>	<u>4,108,887</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,880,065</u>	<u>\$1,109,565</u>	<u>\$484,757</u>	<u>\$1,008,587</u>	<u>\$7,482,974</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, 2005

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<b>Total Governmental Fund Balances</b>	<b>\$4,108,887</b>
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*Amounts reported for governmental activities in the  
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	23,506,378
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to delinquent property taxes.	102,049
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	57,579
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(23,684)
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Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(6,185,199)
Compensated Absences	<u>(519,047)</u>

Total	<u>(6,704,246)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$21,046,963</u></u>
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See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,566,541	\$519,274	\$0	\$91,946	\$2,177,761
Income Taxes	789,331	0	0	0	789,331
Intergovernmental	5,464,320	68,596	0	554,710	6,087,626
Interest	73,875	0	10,417	6,209	90,501
Tuition and Fees	20,861	0	0	0	20,861
Extracurricular Activities	0	0	0	120,706	120,706
Contributions and Donations	1,600	0	0	6,868	8,468
Charges for Services	0	0	0	196,784	196,784
Rentals	4,510	0	0	2,000	6,510
Miscellaneous	3,683	0	0	287	3,970
<i>Total Revenues</i>	<u>7,924,721</u>	<u>587,870</u>	<u>10,417</u>	<u>979,510</u>	<u>9,502,518</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	3,598,193	0	0	92,718	3,690,911
Special	931,293	0	0	158,373	1,089,666
Vocational	161,200	0	0	0	161,200
Support Services:					
Pupils	283,508	0	0	162,421	445,929
Instructional Staff	114,431	0	0	42,389	156,820
Board of Education	6,081	0	0	0	6,081
Administration	864,103	0	115,992	0	980,095
Fiscal	222,712	13,913	0	757	237,382
Operation and Maintenance of Plant	759,504	0	0	22,994	782,498
Pupil Transportation	674,295	0	0	0	674,295
Central	0	0	0	10,019	10,019
Food Service Operations	0	0	0	272,346	272,346
Extracurricular Activities	187,348	0	0	109,089	296,437
Capital Outlay	0	0	0	455,968	455,968
Debt Service:					
Principal Retirement	50,000	165,000	0	0	215,000
Interest and Fiscal Charges	6,825	277,121	0	0	283,946
<i>Total Expenditures</i>	<u>7,859,493</u>	<u>456,034</u>	<u>115,992</u>	<u>1,327,074</u>	<u>9,758,593</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>65,228</u>	<u>131,836</u>	<u>(105,575)</u>	<u>(347,564)</u>	<u>(256,075)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	0	367,588	367,588
Transfers Out	0	0	(367,588)	0	(367,588)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(367,588)</u>	<u>367,588</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	65,228	131,836	(473,163)	20,024	(256,075)
<i>Fund Balances Beginning of Year</i> <i>(Restated - See Note 3)</i>	<u>2,556,236</u>	<u>536,197</u>	<u>474,340</u>	<u>798,189</u>	<u>4,364,962</u>
<i>Fund Balances End of Year</i>	<u>\$2,621,464</u>	<u>\$668,033</u>	<u>\$1,177</u>	<u>\$818,213</u>	<u>\$4,108,887</u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

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**Net Change in Fund Balances - Total Governmental Funds** (\$256,075)

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

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

Capital Outlay	135,000
Depreciation	<u>(903,636)</u>

Total (768,636)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (132,923)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 215,000

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

Accrued Interest on Bonds	1,113
Bond Accretion	<u>(33,800)</u>

Total (32,687)

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

Compensated Absences	(12,099)
Pension Obligation	<u>65,008</u>

Total 52,909

The internal service fund used by management to charge the costs of prescription drug insurance is included in the statement of activities and not on the governmental fund statement of revenues and expenditures. (27,408)

*Change in Net Assets of Governmental Activities* (\$949,820)

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Fiscal Year Ended June 30, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,718,186	\$1,718,186	\$1,715,806	(\$2,380)
Income Taxes	763,000	763,000	763,777	777
Intergovernmental	4,925,500	5,525,500	5,536,307	10,807
Interest	72,000	72,000	73,875	1,875
Tuition and Fees	21,000	21,000	20,861	(139)
Contributions and Donations	0	0	1,600	1,600
Rentals	4,500	4,500	4,510	10
Miscellaneous	0	0	3,463	3,463
<i>Total Revenues</i>	<u>7,504,186</u>	<u>8,104,186</u>	<u>8,120,199</u>	<u>16,013</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,370,513	4,377,913	3,653,721	724,192
Special	984,848	1,010,148	903,674	106,474
Vocational	186,225	187,325	165,040	22,285
Support Services:				
Pupils	336,672	337,672	258,002	79,670
Instructional Staff	131,756	132,256	113,399	18,857
Board of Education	8,411	8,411	6,029	2,382
Administration	1,098,804	1,049,604	854,238	195,366
Fiscal	296,611	296,611	219,314	77,297
Operation and Maintenance of Plant	1,179,824	1,182,924	799,549	383,375
Pupil Transportation	719,230	720,730	651,844	68,886
Extracurricular Activities	194,960	204,260	183,364	20,896
Capital Outlay	2,400	2,400	0	2,400
Debt Service:				
Principal	50,000	50,000	50,000	0
Interest	7,695	7,695	6,825	870
<i>Total Expenditures</i>	<u>9,567,949</u>	<u>9,567,949</u>	<u>7,864,999</u>	<u>1,702,950</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,063,763)	(1,463,763)	255,200	1,718,963
<b>Other Financing Uses</b>				
Advances Out	(21,500)	(21,500)	0	21,500
<i>Net Change in Fund Balance</i>	(2,085,263)	(1,485,263)	255,200	1,740,463
<i>Fund Balance Beginning of Year</i>	2,130,967	2,130,967	2,130,967	0
Prior Year Encumbrances Appropriated	99,834	99,834	99,834	0
<i>Fund Balance End of Year</i>	<u>\$145,538</u>	<u>\$745,538</u>	<u>\$2,486,001</u>	<u>\$1,740,463</u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2005*

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	<u>Insurance</u>
<b>Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	\$63,293
<b>Liabilities</b>	
Claims Payable	<u>5,714</u>
<b>Net Assets</b>	
Unrestricted	<u>\$57,579</u>

See accompanying notes to the basic financial statements



**Centerburg Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2005*

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	<u>Insurance</u>
<b>Operating Revenues</b>	
Charges for Services	\$29,992
<b>Operating Expenses</b>	
Claims	<u>58,142</u>
<i>Operating Loss</i>	(28,150)
<b>Non-Operating Revenues</b>	
Interest	<u>742</u>
<i>Change in Net Assets</i>	(27,408)
<i>Net Assets Beginning of Year</i>	<u>84,987</u>
<i>Net Assets End of Year</i>	<u><u>\$57,579</u></u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2005

	Insurance
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$29,992
Cash Payments for Claims	(56,118)
<i>Net Cash Used for Operating Activities</i>	(26,126)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	742
<i>Net Decrease in Cash and Cash Equivalents</i>	(25,384)
<i>Cash and Cash Equivalents Beginning of Year</i>	88,677
<i>Cash and Cash Equivalents End of Year</i>	\$63,293
 <b><i>Reconciliation of Operating Loss</i></b>	
<b><i>to Net Cash Used for Operating Activities</i></b>	
<i>Operating Loss</i>	(\$28,150)
 <b>Adjustments to Reconcile Operating Loss to</b>	
<b>Net Cash Used for Operating Activities</b>	
Increase/(Decrease) in Liabilities:	
Claims Payable	2,024
<i>Net Cash Used for Operating Activities</i>	(\$26,126)

See accompanying notes to the basic financial statements

**Centerburg Local School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2005*

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	Private-Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity Pooled in Cash and Cash Equivalents	\$23,177	\$50,841
<i>Total Assets</i>	<u>23,177</u>	<u>\$50,841</u>
<b>Liabilities</b>		
Due to Students	0	50,841
<i>Total Liabilities</i>	<u>0</u>	<u>\$50,841</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$23,177</u>	

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2005*

	Private Private Trust Funds
<b>Additions</b>	
Interest	\$239
Miscellaneous	11,000
<i>Total Additions</i>	11,239
<b>Deductions</b>	
Scholarships Awarded	6,000
<i>Change in Net Assets</i>	5,239
<i>Net Assets Beginning of Year</i>	17,938
<i>Net Assets End of Year</i>	\$23,177

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's two instructional facilities, one administrative building, and one garage staffed by 42 classified employees and 80 certificated full-time teaching personnel who provide services to 1,163 students and other community members.

*Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in the Tri-Rivers Educational Computer Association (TRECA) and the Knox County Career Center, jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 12 and 13 to the basic financial statements.

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

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

**A. Basis of Presentation**

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses.

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

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

***B. Fund Accounting***

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

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

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

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

***Ohio School Facilities Capital Projects Fund*** The Ohio school facilities capital projects fund accounts for bond proceeds and state grants used for the acquisition and construction of classroom facilities.

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

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

**C. Measurement Focus**

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

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

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

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

**D. Basis of Accounting**

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

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

The School District has a segregated bank account for self-insurance monies held separate from the School District's central bank account. This depository account is presented on the statements as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury. During fiscal year 2005, investments were limited to STAROhio, the State Treasurer's Investment Pool. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments



**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to \$73,875, which includes \$20,734 assigned from other School District funds.

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

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by statute to be set-aside by the School District for the purchase of textbooks and capital improvements. See Note 19 for additional information regarding set asides.

***G. Inventory***

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

***H. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	50 years
Furniture and Equipment	5 - 20 years
Vehicles	3 - 8 years

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***I. Compensated Absences***

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

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

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

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

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

***K. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***L. Fund Balance Reserves***

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$1,403,456 of restricted net assets, \$823,059 of which is restricted by enabling legislation. Net assets restricted for other purposes include student activities, food service operations, special education, and classroom facilities maintenance.

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

***N. Operating Revenues and Expenses***

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

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District had no extraordinary or special items.

***P. Estimates***

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

***Q. Budgetary Data***

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

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

**Note 3 – Changes in Accounting Principle and Restatement of Net Assets/Fund Balance**

***A. Changes in Accounting Principles***

For fiscal year 2005, the School District has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 46 clarifies when net assets should be considered restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the School District.

***B. Restatement of Fund Balance/Net Assets***

In the prior year the School District’s contracts payable were overstated. This had the following effect on fund balances:

	General	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Fund Balances, June 30, 2004	\$2,556,236	\$536,197	\$413,462	\$798,189	\$4,304,084
Overstatement of Prior Year Contracts Payable	0	0	60,878	0	60,878
Adjusted Fund Balances, June 30, 2004	<u>\$2,556,236</u>	<u>\$536,197</u>	<u>\$474,340</u>	<u>\$798,189</u>	<u>\$4,364,962</u>

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

The School District's capital assets were overstated at June 30, 2005. Capital assets of governmental activities decreased from \$24,595,262 to \$24,275,014. These changes had the following effect on net assets.

	Governmental Activities
Net Assets, June 30, 2004	\$22,256,153
Contracts Payable Adjustment	60,878
Capital Assets Adjustment	(320,248)
Adjusted Net Assets, June 30, 2004	\$21,996,783

**Note 4 – Compliance, Fund Deficits and Accountability**

**A. Compliance**

Although the School District has securities serving as collateral which are held by a pledging institution in the pledging institutions name, the four requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 were not met.

The School District had negative cash balance in the Title II-A in the amount of \$2,434 indicating that revenues from other sources were used to pay obligations of this fund, contrary to Ohio Revised Code Section 5705.10.

This will be closely monitored in the future.

**B. Fund Deficits**

The following funds had deficit fund balances at June 30, 2005:

Fund	Amount
<i>Special Revenue Funds:</i>	
School Net Professional Development	\$2
Ohio Reads	9
Summer School Intervention	1,001
Title VI-B	5,401
Title I	177
Title II-A	4,028
Miscellaneous Federal Grants	5

The special revenue fund deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and provided transfers when cash is required, not when accruals occur.

**C. Accountability**

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<i>Special Revenue Funds:</i>			
Title II-A	\$43,324	\$43,863	(\$539)

Although these violations were not corrected by fiscal year-end, management has indicated that appropriations will be more closely monitored to ensure no future violations will occur.

**Note 5 - Budgetary Basis of Accounting**

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

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

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$65,228
Net Adjustment for Revenue Accruals	195,478
Net Adjustment for Expenditure Accruals	254,309
Encumbrances	(259,815)
Budget Basis	\$255,200

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 6 - Deposits and Investments**

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

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

Interim deposits are deposits of interim monies. Interim 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of 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 or Ohio local governments;
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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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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.

At fiscal year end, the School District had \$4,637 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$1,531,451 of the School District's bank balance of \$1,631,451 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the School District's name. Although the securities were held by the pledging financial institutions' trust department all statutory requirements for the investment 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, 2005, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$2,864,943 is in an internal investment pool and has a maturity of 33 days.

**Credit Risk** STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

## **Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.



**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Delaware, Knox and Licking Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$535,408 in the general fund, \$114,317 in the debt service fund, \$24,132 in the permanent improvement capital projects fund and \$8,626 in the classroom facilities special revenue fund. The amount available as an advance at June 30, 2004, was \$684,673 in the general fund, \$138,657 in the debt service fund, \$31,403 in the permanent improvement capital projects fund and \$10,596 in the classroom facilities special revenue fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$86,389,500	95.07 %	\$91,050,250	95.66 %
Public Utility Personal	2,834,740	3.12	2,824,750	2.97
Tangible Personal Property	<u>1,645,584</u>	<u>1.81</u>	<u>1,309,815</u>	<u>1.37</u>
Total	<u><u>\$90,869,824</u></u>	<u><u>100.00 %</u></u>	<u><u>\$95,184,815</u></u>	<u><u>100.00 %</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$41.16		 \$41.16	

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

**Note 8 – Income Tax**

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

**Note 9 - Receivables**

Receivables at June 30, 2005, consisted of taxes, intergovernmental and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

At June 30, 2005 the School District had a total intergovernmental receivable of \$8,051 in two special revenue funds Summer School Intervention Fund of \$1,953 and the Title II-A Fund of \$6,098 for grant reimbursements.

**Note10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance 6/30/2004	Additions	Deductions	Balance 6/30/2005
<b>Governmental Activities</b>				
<i>Non-Depreciable Assets</i>				
Land	\$362,010	\$0	\$0	\$362,010
<i>Depreciable Assets</i>				
Building Improvements	24,483,756	0	0	24,483,756
Furniture and Equipment	1,085,982	0	0	1,085,982
Vehicles	600,169	135,000	0	735,169
<i>Total Depreciable Assets</i>	26,169,907	135,000	0	26,304,907
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(1,845,934)	(774,893)	0	(2,620,827)
Furniture and Equipment	(135,575)	(76,372)	0	(211,947)
Vehicles	(275,394)	(52,371)	0	(327,765)
<i>Total Accumulated Depreciation</i>	(2,256,903)	(903,636) *	0	(3,160,539)
<i>Depreciable Capital Assets, Net</i>	23,913,004	(768,636)	0	23,144,368
Governmental Activities Capital Assets, Net	\$24,275,014	(\$768,636)	\$0	\$23,506,378

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

Instruction	
Regular	\$768,946
Vocational	8,892
Support Services	
Instructional Staff	43,100
Administration	4,723
Operation and Maintenance of Plant	734
Pupil Transportation	62,847
Central	3,971
Operation of Non-Instructional Services	10,423
Total Depreciation Expense	<u>\$903,636</u>

**Note 11 – Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
Ohio School Facilities Commission Bonds - 2001	3.4 - 7.69%	\$6,481,995	December 1, 2027
Energy Conservation Bonds - 1996	5.20%	380,000	June 5, 2007

Changes in long-term obligations of the School District during fiscal year 2005 were as follows:

	Principal Outstanding June 30, 2004	Additions	Deductions	Principal Outstanding June 30, 2005	Amount Due in One Year
<b>Governmental Activities</b>					
<i>General Obligation Bonds</i>					
Ohio School Facilities Commission Bonds					
\$1,790,000 3.4 - 4.3% Serial Bonds	\$1,435,000	\$0	\$165,000	\$1,270,000	\$180,000
\$4,355,000 5.1 - 5.125 % Term Bonds	4,355,000	0	0	4,355,000	0
\$336,995 7.69% Original Issue of Capital Appreciation Bonds	336,995	0	0	336,995	0
Accretion on Capital Appreciation Bonds					
Appreciation Bonds	89,404	33,800	0	123,204	0
Energy Conservation Bonds	150,000	0	50,000	100,000	50,000
<i>Total General Obligation Bonds</i>	6,366,399	33,800	215,000	6,185,199	230,000
Compensated Absences	506,948	36,905	24,806	519,047	42,805
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$6,873,347</u>	<u>\$70,705</u>	<u>\$239,806</u>	<u>\$6,704,246</u>	<u>\$272,805</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the General and Food Service, Title VI-B and Title I special revenue funds.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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In 2001, the School District issued Ohio School Facilities Commission bonds for construction of new school buildings. The general obligation bonds include serial bonds, term bonds and capital appreciation bonds. The additions were \$33,800 which represents the annual accretion of discounted interest. The final amount of the capital appreciation bonds will be \$815,000 payable at December 2013.

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2014	\$280,000
2015	305,000
2016	325,000
2017	340,000
2018	365,000
2019	390,000
2020	415,000
2021	445,000
2022	470,000

The remaining principal amount of the term bonds (\$485,000) will mature at stated maturity on December 1, 2023.

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

<u>Year</u>	<u>Amount</u>
2024	\$120,000
2025	130,000
2026	135,000

The remaining principal amount of the term bonds (\$140,000) will mature at stated maturity on December 1, 2027.

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

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2010 through November 20, 2011	101.00%
December 1, 2011 through November 20, 2012	100.50
December 1, 2012 and thereafter	100.00

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

The overall debt margin of the School District as of June 30, 2005 was \$3,049,467 with an unvoted debt margin of \$95,185. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			
	OSFC Serial		OSFC Term	
	Principal	Interest	Principal	Interest
2006	180,000	270,521	0	0
2007	190,000	263,351	0	0
2008	210,000	255,446	0	0
2009	215,000	246,839	0	0
2010	230,000	237,601	0	0
2011-2015	245,000	227,504	280,000	215,096
2016-2020	0	0	1,725,000	830,554
2021-2025	0	0	1,945,000	324,364
2026-2029	0	0	405,000	31,647
<b>Total</b>	<b>\$1,270,000</b>	<b>\$1,501,262</b>	<b>\$4,355,000</b>	<b>\$1,401,661</b>

Fiscal Year Ending June 30	General Obligation Bonds			
	OSFC Capital Appreciation		Energy Conservation	
	Principal	Interest	Principal	Interest
2006	\$0	\$0	\$50,000	\$5,475
2007	0	0	50,000	2,750
2008	0	0	0	0
2009	0	0	0	0
2010	0	0	0	0
2011-2015	336,955	478,045	0	0
<b>Total</b>	<b>\$336,955</b>	<b>\$478,045</b>	<b>\$100,000</b>	<b>\$8,225</b>

**Note 12 - Jointly Governed Organizations**

**Tri-Rivers Educational Computer Association** The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Marion, Morrow, Knox, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of TRECA consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid \$66,001 to TRECA during fiscal year 2005 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 2005. To obtain financial

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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information, write to the Knox County Career Center, Tracy Elliot, who serves as Treasurer, at 306 Martinsburg Road, Mount Vernon, Ohio 43050.

**Note 13 - Insurance Purchasing Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate 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 14 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2005, the School District's insurance coverage was as follows:

Type of Coverage	Deductible	Liability Limit
Building and Contents-replacement cost	\$2,500	\$37,387,316
Crime Insurance	0	100,000
Automobile Liability	0	1,000,000
General Liability -		
Per Occurrence	0	1,000,000
Per Year	0	3,000,000
Builder's Risk Insurance	2,500	100,000
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.

***B. Workers' Compensation***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**C. Employee Insurance Benefits**

Dental insurance is offered to employees through a self-insurance internal service fund. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$5,714 reported in the internal service fund at June 30, 2005 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2004	\$4,369	47,711	48,390	\$3,690
2005	3,690	58,142	56,118	5,714

**Note 15 - Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$87,880, \$76,833 and \$55,524 respectively; 54.84 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$489,802, \$477,423 and \$437,666; 89.99 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$7 made by the School District and \$2,814 made by the plan members.

**Note 16 - Postemployment Benefits**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$37,677 for fiscal year 2005.



**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$67,923 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

## **Note 17 - Other Employee Benefits**

### ***A. Compensated Absences***

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

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

### ***B. 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, 2005*

**C. Deferred Compensation**

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

**Note 18 - Operating Leases**

The School District is obligated under certain leases accounted for as operating leases. The following is a schedule by year of future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2005.

<b>Fiscal Year Ending June 30</b>	<b>Amounts</b>
200	\$26,767
2007	26,767
2008	8,922
Total Minimum Payments Required	\$62,456

**Note 19 - Set Asides**

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

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

	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-Aside Reserve Balance as of June 30, 2004	\$49,374	\$29,162
Current Year Set-aside Requirement	156,977	156,977
Current Year Offsets	(63,795)	
Qualifying Disbursements	(132,341)	(133,372)
Total	\$10,215	\$52,767
Set-aside Balance Carried Forward to Future Fiscal Years	\$10,215	\$52,767
Set-aside Reserve Balance as of June 30, 2005	\$10,215	\$52,767

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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The total reserve balance for the two set asides at the end of the fiscal year was \$62,982.

**Note 20 - Contingencies**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**Note 21 – Interfund Balances**

Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$45,434	\$0
OSFC Maintenance Fund	367,588	0
Teacher Mini Grant Fund	0	2,434
Wellness Center Capital Projects Fund	0	43,000
Ohio Schools Facilities Capital Projects Fund	0	367,588
	\$413,022	\$413,022

The interfund payable in the Teacher Mini Grant Fund is due to a negative cash balance at June 30, 2005. The payable in the wellness center capital project fund is due to an advance to supplement construction costs of the wellness center. The payable in the Ohio School Facilities capital projects fund to the OSFC maintenance fund is to account for the School District’s agreement with Ohio Schools Facilities Commission. The agreement states that interest earned on the local share of the funds are to be transferred to the OSFC Maintenance Fund.

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**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Lunch Program	LL-P4 2004	10.555	\$ 14,069	\$ -	\$ 14,069	\$ -
	LL-P4 2005		45,021	-	45,021	-
Total National School Lunch Program			59,090	-	59,090	-
Food Distribution Program	N/A	10.550	-	30,091	-	30,091
Total U.S. Department of Agriculture - Nutrition Cluster			<b>59,090</b>	<b>30,091</b>	<b>59,090</b>	<b>30,091</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 2004	84.010	-	-	6,955	-
	C1-S1 2005		136,851	-	136,671	-
Total Title I Grants to Local Educational Agencies			136,851	-	143,626	-
Special Education Grants to States (IDEA Part B)	6B-SF 2004	84.027	(1,713)	-	13,079	-
	6B-SF 2005		225,037	-	217,581	-
Total Special Education Grants to State			223,324	-	230,660	-
Innovative Education Program Strategies	C2-S1 2004	84.298	-	-	1,061	-
	C2-S1 2005		4,548	-	4,299	-
Total Innovative Education Program Strategies			4,548	-	5,360	-
Safe and Drug Free Schools and Community - State Grant	DR-S1 2004	84.186	-	-	3,063	-
	DR-S1 2005		5,139	-	3,294	-
Total Safe and Drug Free Schools and Community-State Grant			5,139	-	6,357	-
Title II-A Improving Teacher Quality	TR-S1 2004	84.367	4,173	-	8,185	-
	TR-S1 2005		33,316	-	35,678	-
Total Title II-A Improving Teacher Quality			37,489	-	43,863	-
Title II-D Education Technology State Grant	TJ-S1 2004	84.318	-	-	1,832	-
	TJ-S1 2005		3,638	-	3,638	-
Total Title II-D Education Technology State Grant			3,638	-	5,470	-
Total U.S. Department of Education			<b>470,079</b>	<b>30,091</b>	<b>494,426</b>	<b>30,091</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through the Ohio Department of Mental Retardation and Development Disabilities:</i>						
Medicaid, Title XIX	N/A	93.778	27,005	-	27,005	-
<b>Total Federal Awards</b>			<b>\$ 497,084</b>	<b>\$ 30,091</b>	<b>\$ 521,431</b>	<b>\$ 30,091</b>

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

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B—CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - TRANSFER BETWEEN YEARS**

The Special Education Grants to States, CFDA# 84.027 had transfers of funds between grant years that were allowed by the Ohio Department of Education. These transfers are reflected on the Schedule.



**Auditor of State  
Betty Montgomery**

**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  
175 Union 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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2005. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 16, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated December 16, 2005, we reported an other matter related to noncompliance we deemed immaterial.

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

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

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

**Betty Montgomery**  
Auditor of State

December 16, 2005





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Centerburg Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. 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 express an opinion on the District's compliance based on our audit.

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

In our opinion, 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, 2005.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 16, 2005.

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

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

**Betty Montgomery**  
Auditor of State

December 16, 2005

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**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 weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions 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?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.027—IDEA Part B CFDA #84.010—TITLE I Grants to Local Educational Agencies
<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>	No

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

None

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

None

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b><i>Explain:</i></b>
2004-001	Ohio Rev. Code Section 5705.41(D), prior certification of funds required.	No	Comment will be reissued in the management letter
2004-002	Athletic tickets sold not properly accounted for which resulted in a finding for recovery.	Yes	N/A
2004-003	Capital assets not properly accounted for.	Yes	N/A



**Auditor of State  
Betty Montgomery**

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**CENTERBURG LOCAL SCHOOL DISTRICT**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 17, 2006**