



Mary Taylor, CPA
Auditor of State

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	4
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 – Private Purpose Trust Fund.....	24
Notes to the Basic Financial Statements	25
Federal Awards Receipts and Expenditures Schedule.....	49
Notes to the Federal Awards Receipts and Expenditures Schedule	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 the Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	53
Schedule of Findings.....	55

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Mary Taylor, CPA

Auditor of State

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, 2007, 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, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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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 federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 7, 2008

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Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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, 2007. 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 2007 are as follows:

- In total, net assets increased by \$286,321.
- Revenues for governmental activities totaled \$10,695,325 in 2007. Of this total, 88.0 percent consisted of general revenues while program revenues accounted for the balance of 12.0 percent.
- Program expenses totaled \$10,409,004. Instructional expenses made up 57.0 percent of this total while support services accounted for 33.3 percent. Other expenses rounded out the remaining 9.7 percent.
- Outstanding general obligation bonded debt decreased to \$5,808,590 in 2007 from \$5,991,678 in 2006.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2007?" 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, 2007
Unaudited

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

Governmental Funds

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 2007 compared to 2006:

Total assets increased by \$311,031. The majority of this increase is income tax receivable, due to higher anticipated collections.

Total liabilities increased by \$24,710. The majority of this increase is in accrued interest payable, due to the issuance of new debt. The School District capitalized on a favorable bond market by refinancing a portion of the Ohio School Facilities Commission bonds.

By comparing assets and liabilities, one can see the overall position of the School District has increased slightly as evidenced by the increase in net assets of \$286,321.

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 1
Net Assets
Governmental Activities

	2007	2006	Change
Assets			
Current and Other Assets	\$8,282,758	\$7,225,198	\$1,057,560
Capital Assets, Net	22,203,167	22,949,696	(746,529)
<i>Total Assets</i>	<u>30,485,925</u>	<u>30,174,894</u>	<u>311,031</u>
Liabilities			
Current Liabilities	2,732,498	2,535,274	197,224
Long-Term Liabilities:			
Due Within One Year	268,381	279,990	(11,609)
Due in More Than One Year	6,010,033	6,170,938	(160,905)
<i>Total Liabilities</i>	<u>9,010,912</u>	<u>8,986,202</u>	<u>24,710</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	16,676,172	17,117,701	(441,529)
Restricted for:			
Capital Projects	164,573	33,773	130,800
Debt Service	557,671	795,628	(237,957)
Set Asides	68,258	34,252	34,006
Other Purposes	598,328	614,016	(15,688)
Unrestricted	3,410,011	2,593,322	816,689
<i>Total Net Assets</i>	<u><u>\$21,475,013</u></u>	<u><u>\$21,188,692</u></u>	<u><u>\$286,321</u></u>

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$9,411,719 or 88.0 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 \$1,283,606 or 12.0 percent of total revenue.

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 2 shows the changes in net assets for fiscal year 2007 compared to 2006:

Table 2
Changes in Net Assets
Governmental Activities

	2007	2006	Change
Revenues			
Program Revenues:			
Charges for Services	\$349,857	\$371,123	(\$21,266)
Operating Grants and Contributions	923,037	864,597	58,440
Capital Grants and Contributions	10,712	13,847	(3,135)
Total Program Revenues	<u>1,283,606</u>	<u>1,249,567</u>	<u>34,039</u>
General Revenues:			
Property Taxes	2,535,841	2,759,819	(223,978)
Income Taxes	1,254,219	903,444	350,775
Grants and Entitlements	5,364,851	5,400,218	(35,367)
Investments	250,729	176,278	74,451
Miscellaneous	6,079	655	5,424
Total General Revenues	<u>9,411,719</u>	<u>9,240,414</u>	<u>171,305</u>
Total Revenues	<u>10,695,325</u>	<u>10,489,981</u>	<u>205,344</u>
Program Expenses			
Instruction:			
Regular	4,695,203	4,671,037	24,166
Special	1,065,264	1,104,504	(39,240)
Vocational	177,286	182,661	(5,375)
Support Services:			
Pupils	544,291	448,727	95,564
Instructional Staff	177,599	125,193	52,406
Board of Education	15,806	6,830	8,976
Administration	829,527	971,244	(141,717)
Fiscal	284,615	288,608	(3,993)
Operation and Maintenance of Plant	895,872	985,335	(89,463)
Pupil Transportation	698,314	678,609	19,705
Central	19,848	16,312	3,536
Food Service Operations	247,642	235,613	12,029
Extracurricular Activities	294,640	323,631	(28,991)
Interest and Fiscal Charges	463,097	309,948	153,149
Total Program Expenses	<u>10,409,004</u>	<u>10,348,252</u>	<u>60,752</u>
Increase in Net Assets	286,321	141,729	144,592
<i>Net Assets Beginning of Year</i>	<u>21,188,692</u>	<u>21,046,963</u>	<u>141,729</u>
<i>Net Assets End of Year</i>	<u>\$21,475,013</u>	<u>\$21,188,692</u>	<u>\$286,321</u>

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Total revenues increased by 1.9 percent. This increase was due to:

- A \$350,775 increase in income tax revenues due to the State's increased efforts to collect delinquent income taxes.
- Property taxes revenues decreased by 8.12 percent due to fluctuations in the amount available for advances from the School District's counties, which partially offset the increase in income tax revenues.

Total expenses increased by slightly more than half of one percent.

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 57 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff, transportation and business operations encompass 33.3 percent. The remaining amount of program expenses, 9.7 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, 2007
Unaudited

Table 3
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Governmental Activities:				
Instruction:				
Regular	\$4,695,203	(\$4,602,772)	\$4,671,037	(\$4,605,315)
Special	1,065,264	(584,926)	1,104,504	(565,394)
Vocational	177,286	(144,833)	182,661	(148,378)
Support Services:				
Pupils	544,291	(277,351)	448,727	(254,544)
Instructional Staff	177,599	(174,783)	125,192	(112,107)
Board of Education	15,806	(9,406)	6,830	(6,830)
Administration	829,527	(829,527)	971,244	(965,461)
Fiscal	284,615	(284,615)	288,608	(288,608)
Operation and Maintenance of Plant	895,872	(895,872)	985,335	(985,335)
Pupil Transportation	698,314	(687,602)	678,610	(678,610)
Central	19,848	(8,148)	16,312	(7,312)
Food Service Operations	247,642	(1,730)	235,613	(2,499)
Extracurricular Activities	294,640	(160,736)	323,631	(168,344)
Interest and Fiscal Charges	463,097	(463,097)	309,948	(309,948)
Total	<u>\$10,409,004</u>	<u>(\$9,125,398)</u>	<u>\$10,348,252</u>	<u>(\$9,098,685)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 24.3 percent of expenses are directly supported by local property taxes and 12.0 percent are supported by income taxes. Grant and entitlements not restricted to specific programs support 51.5 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues account for 12.3 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 \$10,639,229 and expenditures of \$9,723,465. The net change in fund balance for the year was an increase of \$992,811. The general fund had revenues of \$9,174,750 and expenditures of \$8,278,956. This surplus of \$895,794 is due an increase in income tax and interest revenues. The bond retirement fund had revenues of \$435,561, other financing sources of \$4,716,278, expenditures of \$512,803 and other financing uses of \$4,639,231, leaving a decrease in fund balance of \$195.

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.

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

During the course of fiscal year 2007, the School District amended its general fund budget numerous times, none significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the General fund, the original and final budget basis estimated revenue totaled \$8,397,800, which was \$516,041 less than the actual revenues received in the amount of \$8,913,841. The majority of the difference between estimated and actual revenues was due to higher than anticipated income tax collections. Final budget basis appropriations totaled \$10,088,844 which was \$719,170 less than the original permanent appropriations total of \$10,808,014. Actual Expenditures were \$8,467,643, or \$1,621,201 less than the final budget, due to decreases in estimated costs for salaries and benefits.

The general fund's unencumbered ending cash balance totaled \$3,421,874, which was above the final budgeted amount of \$565,462.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$22,203,167 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2007 values compared to 2006. More detailed information is presented in Note 9 to the basic financial statements.

Table 4
Capital Assets at June 30
Governmental Activities

	2007	2006
Land	\$362,010	\$362,010
Construction In Progress	0	277,622
Buildings and Improvements	20,679,887	21,084,351
Furniture and Equipment	825,635	801,349
Vehicles	335,635	424,364
<i>Total Capital Assets</i>	\$22,203,167	\$22,949,696

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 annual depreciation of the School District's assets. The construction in progress from 2006 was added to buildings and improvements in 2007 due to the completion of the bus garage project.

Debt

At June 30, 2007 the School District had \$5,808,590 of Ohio school facilities construction bonds outstanding. Table 5 below summarizes the School District's bonds outstanding. More detailed information is presented in Note 10 to the basic financial statements.

Centerburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 5
Outstanding Debt at Year End
Governmental Activities

	2007	2006
Ohio School Facilities Commission Bonds	\$1,436,048	\$5,941,678
Refunded Ohio School Facilities Commission Bonds	4,372,542	0
Energy Conservation Bonds	0	50,000
<i>Total</i>	\$5,808,590	\$5,991,678

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

The School District's overall legal debt margin was \$4,987,342 with an unvoted debt margin of \$108,725. 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 2007, Centerburg Local School District earned an effective rating meeting 27 out of 30 criteria on the State Report Card.

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

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, 2007
Unaudited

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 119. The phasing out of personal property tax, to be reimbursed from the State, will be carefully monitored.

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

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

Contacting the School District's Financial Management

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

Centerburg Local School District

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,031,640
Materials and Supplies Inventory	2,556
Accounts Receivable	391
Accrued Interest Receivable	3,159
Intergovernmental Receivable	22,764
Inventory Held for Resale	11,484
Income Tax Receivable	676,974
Property Taxes Receivable	2,458,990
Deferred Charges	74,800
Nondepreciable Capital Assets	362,010
Depreciable Capital Assets, Net	<u>21,841,157</u>
<i>Total Assets</i>	<u>30,485,925</u>
Liabilities	
Accounts Payable	72,059
Accrued Wages Payable	765,376
Intergovernmental Payable	195,256
Matured Compensated Absences Payable	10,398
Deferred Revenue	1,418,012
Claims Payable	6,538
Accrued Interest Payable	264,859
Long-Term Liabilities:	
Due Within One Year	268,381
Due In More Than One Year	<u>6,010,033</u>
<i>Total Liabilities</i>	<u>9,010,912</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	16,676,172
Restricted for:	
Capital Projects	164,573
Debt Service	557,671
Set Asides	68,258
Other Purposes	598,328
Unrestricted	<u>3,410,011</u>
<i>Total Net Assets</i>	<u><u>\$21,475,013</u></u>

See accompanying notes to the basic financial statements

Centerburg Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	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
Governmental Activities					
Instruction:					
Regular	\$4,695,203	\$28,595	\$63,836	\$0	(\$4,602,772)
Special	1,065,264	0	480,338	0	(584,926)
Vocational	177,286	0	32,453	0	(144,833)
Support Services:					
Pupils	544,291	0	266,940	0	(277,351)
Instructional Staff	177,599	0	2,816	0	(174,783)
Board of Education	15,806	0	6,400	0	(9,406)
Administration	829,527	0	0	0	(829,527)
Fiscal	284,615	0	0	0	(284,615)
Operation and Maintenance of Plant	895,872	0	0	0	(895,872)
Pupil Transportation	698,314	0	0	10,712	(687,602)
Central	19,848	0	11,700	0	(8,148)
Food Service Operations	247,642	194,764	51,148	0	(1,730)
Extracurricular Activities	294,640	126,498	7,406	0	(160,736)
Interest and Fiscal Charges	463,097	0	0	0	(463,097)
<i>Totals</i>	<u>\$10,409,004</u>	<u>\$349,857</u>	<u>\$923,037</u>	<u>\$10,712</u>	<u>(9,125,398)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	2,037,980
Debt Service	386,549
Capital Projects	70,534
Classroom Facilities Maintenance	40,778
Income Taxes Levied for General Purposes	1,254,219
Grants and Entitlements not Restricted to Specific Programs	5,364,851
Investment Earnings	250,729
Miscellaneous	6,079
<i>Total General Revenues</i>	<u>9,411,719</u>
Change in Net Assets	286,321
<i>Net Assets Beginning of Year</i>	<u>21,188,692</u>
<i>Net Assets End of Year</i>	<u>\$21,475,013</u>

See accompanying notes to the basic financial statements

Centerburg Local School District

Balance Sheet

Governmental Funds

June 30, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,496,882	\$700,802	\$746,772	\$4,944,456
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	68,258	0	0	68,258
Accounts Receivable	340	51	0	391
Accrued Interest Receivable	3,159	0	0	3,159
Intergovernmental Receivable	0	0	22,764	22,764
Inventory Held for Resale	0	0	11,484	11,484
Income Tax Receivable	676,974	0	0	676,974
Property Taxes Receivable	1,939,956	413,539	105,495	2,458,990
Materials and Supplies Inventory	0	0	2,556	2,556
<i>Total Assets</i>	<u>\$6,185,569</u>	<u>\$1,114,392</u>	<u>\$889,071</u>	<u>\$8,189,032</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$57,832	\$0	\$14,227	\$72,059
Accrued Wages Payable	708,551	0	56,825	765,376
Intergovernmental Payable	181,066	0	14,190	195,256
Deferred Revenue	1,155,894	303,377	57,679	1,516,950
Matured Compensated Absences Payable	10,398	0	0	10,398
<i>Total Liabilities</i>	<u>2,113,741</u>	<u>303,377</u>	<u>142,921</u>	<u>2,560,039</u>
 Fund Balances				
Reserved for Encumbrances	93,137	0	10,643	103,780
Reserved for Property Taxes	784,062	110,162	47,816	942,040
Reserved for Capital Improvements	68,258	0	0	68,258
Unreserved, Undesignated Reported in:				
General Fund	3,126,371	0	0	3,126,371
Special Revenue Funds	0	0	565,723	565,723
Debt Service Fund	0	700,853	0	700,853
Capital Projects Fund	0	0	121,968	121,968
<i>Total Fund Balances</i>	<u>4,071,828</u>	<u>811,015</u>	<u>746,150</u>	<u>5,628,993</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,185,569</u>	<u>\$1,114,392</u>	<u>\$889,071</u>	<u>\$8,189,032</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, 2007*

Total Governmental Fund Balances	\$5,628,993
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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.	22,203,167
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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.	98,938
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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.	12,388
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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.	(264,859)
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Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in funds.	74,800
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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	(5,808,590)
Compensated Absences	<u>(469,824)</u>

Total	<u>(6,278,414)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$21,475,013</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, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,989,826	\$381,971	\$108,367	\$2,480,164
Income Taxes	1,254,219	0	0	1,254,219
Intergovernmental	5,639,138	53,590	590,442	6,283,170
Interest	249,069	0	1,241	250,310
Tuition and Fees	24,695	0	0	24,695
Extracurricular Activities	0	0	126,498	126,498
Contributions and Donations	7,824	0	7,606	15,430
Charges for Services	0	0	194,764	194,764
Rentals	3,900	0	0	3,900
Miscellaneous	6,079	0	0	6,079
<i>Total Revenues</i>	<u>9,174,750</u>	<u>435,561</u>	<u>1,028,918</u>	<u>10,639,229</u>
Expenditures				
Current:				
Instruction:				
Regular	3,889,849	0	57,289	3,947,138
Special	875,354	0	203,258	1,078,612
Vocational	166,408	0	0	166,408
Support Services:				
Pupils	345,847	0	197,657	543,504
Instructional Staff	137,886	0	28,201	166,087
Board of Education	8,215	0	7,591	15,806
Administration	819,079	0	0	819,079
Fiscal	271,671	8,486	795	280,952
Operation and Maintenance of Plant	805,751	0	86,846	892,597
Pupil Transportation	711,852	0	0	711,852
Central	0	0	15,325	15,325
Food Service Operations	0	0	240,495	240,495
Extracurricular Activities	195,669	0	94,249	289,918
Debt Service:				
Principal Retirement	50,000	255,000	0	305,000
Interest and Fiscal Charges	1,375	172,270	0	173,645
Issuance Costs	0	77,047	0	77,047
<i>Total Expenditures</i>	<u>8,278,956</u>	<u>512,803</u>	<u>931,706</u>	<u>9,723,465</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>895,794</u>	<u>(77,242)</u>	<u>97,212</u>	<u>915,764</u>
Other Financing Sources (Uses)				
Refunding Bonds Issued	0	4,354,998	0	4,354,998
Premium on Refunding Bonds Issued	0	361,280	0	361,280
Payment to Refunded Bond Escrow Agent	0	(4,639,231)	0	(4,639,231)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>77,047</u>	<u>0</u>	<u>77,047</u>
<i>Net Change in Fund Balances</i>	895,794	(195)	97,212	992,811
<i>Fund Balances Beginning of Year</i>	<u>3,176,034</u>	<u>811,210</u>	<u>648,938</u>	<u>4,636,182</u>
<i>Fund Balances End of Year</i>	<u>\$4,071,828</u>	<u>\$811,015</u>	<u>\$746,150</u>	<u>\$5,628,993</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, 2007*

Net Change in Fund Balances - Total Governmental Funds \$992,811

*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	458,937
Depreciation	<u>(1,205,466)</u>

Total (746,529)

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

Property Taxes	55,677
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

4,944,231

Debt premiums, debt discounts, and issuance costs are reported as expenditures when paid in the governmental funds but are deferred and amortized on the statements of activities.

Unamortized Debt Premiums	(361,280)
Unamortized Issuance Costs	<u>77,047</u>

Total (284,233)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

General Obligation Bond Issued	(4,354,998)
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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	(242,340)
Amortization of Premium	10,537
Amortization of Loss	(8,290)
Amortization of Issuance Costs	(2,247)
Bond Accretion	<u>(47,112)</u>

Total (289,452)

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

(10,574)

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

(20,612)

Change in Net Assets of Governmental Activities \$286,321

See accompanying notes to the basic financial statements

Centerburg Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$1,872,906	\$1,964,300	\$2,003,629	\$39,329
Income Taxes	800,000	708,606	936,404	227,798
Intergovernmental	5,497,794	5,497,794	5,682,018	184,224
Interest	180,000	180,000	248,859	68,859
Tuition and Fees	35,500	35,500	24,695	(10,805)
Contributions and Donations	5,000	5,000	7,824	2,824
Rentals	4,000	4,000	3,900	(100)
Miscellaneous	2,600	2,600	6,512	3,912
<i>Total Revenues</i>	<u>8,397,800</u>	<u>8,397,800</u>	<u>8,913,841</u>	<u>516,041</u>
Expenditures				
Current:				
Instruction:				
Regular	5,036,100	4,304,260	3,947,530	356,730
Special	1,193,911	1,200,761	882,927	317,834
Vocational	210,254	211,504	171,202	40,302
Support Services:				
Pupils	378,902	415,822	322,291	93,531
Instructional Staff	173,446	175,746	136,469	39,277
Board of Education	9,500	8,225	8,220	5
Administration	1,152,895	1,087,620	826,767	260,853
Fiscal	344,129	357,629	286,819	70,810
Operation and Maintenance of Plant	1,155,068	1,163,668	877,922	285,746
Pupil Transportation	876,441	901,241	775,150	126,091
Extracurricular Activities	225,993	210,993	180,971	30,022
Debt Service:				
Principal	50,000	50,000	50,000	0
Interest	1,375	1,375	1,375	0
<i>Total Expenditures</i>	<u>10,808,014</u>	<u>10,088,844</u>	<u>8,467,643</u>	<u>1,621,201</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,410,214)	(1,691,044)	446,198	2,137,242
Other Financing Uses				
Transfers Out	<u>0</u>	<u>(719,170)</u>	<u>0</u>	<u>719,170</u>
<i>Net Change in Fund Balance</i>	(2,410,214)	(2,410,214)	446,198	2,856,412
<i>Fund Balance Beginning of Year</i>	2,657,383	2,657,383	2,657,383	0
Prior Year Encumbrances Appropriated	<u>318,293</u>	<u>318,293</u>	<u>318,293</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$565,462</u></u>	<u><u>\$565,462</u></u>	<u><u>\$3,421,874</u></u>	<u><u>\$2,856,412</u></u>

See accompanying notes to the basic financial statements

Centerburg Local School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2007

	<u>Insurance</u>
Assets	
Cash and Cash Equivalents	\$18,926
Liabilities	
Claims Payable	<u>6,538</u>
Net Assets	
Unrestricted	<u><u>\$12,388</u></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, 2007*

	Insurance
Operating Revenues	
Charges for Services	\$46,010
Operating Expenses	
Purchased Services	5,692
Claims	61,349
<i>Total Operating Expenses</i>	67,041
<i>Operating Loss</i>	(21,031)
Non-Operating Revenues	
Interest	419
<i>Change in Net Assets</i>	(20,612)
<i>Net Assets Beginning of Year</i>	33,000
<i>Net Assets End of Year</i>	\$12,388

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, 2007

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$46,010
Cash Payments for Goods and Services	(5,692)
Cash Payments for Claims	(61,991)
<i>Net Cash Used for Operating Activities</i>	(21,673)
Cash Flows from Investing Activities	
Interest on Investments	419
<i>Net Decrease in Cash and Cash Equivalents</i>	(21,254)
<i>Cash and Cash Equivalents Beginning of Year</i>	40,180
<i>Cash and Cash Equivalents End of Year</i>	\$18,926
 <i>Reconciliation of Operating Loss</i>	
<i>to Net Cash Used for Operating Activities</i>	
<i>Operating Loss</i>	(\$21,031)
Adjustments	
Decrease in Claims Payable	(642)
<i>Net Cash Used for Operating Activities</i>	(\$21,673)

See accompanying notes to the basic financial statements

Centerburg Local School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

	Private-Purpose Trust	
	Scholarship	Agency
Assets		
Equity Pooled in Cash and Cash Equivalents	\$37,733	<u>\$50,664</u>
Liabilities		
Accounts Payable	0	165
Due to Students	<u>0</u>	<u>50,499</u>
Total Liabilities	<u>0</u>	<u>\$50,664</u>
Net Assets		
Held in Trust for Scholarships	<u>\$37,733</u>	

See accompanying notes to the basic financial statements

Centerburg Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2007

	<u>Scholarship</u>
Additions	
Interest	\$850
Contributions and Donations	<u>15,087</u>
<i>Total Additions</i>	15,937
Deductions	
Scholarships Awarded	<u>11,082</u>
<i>Change in Net Assets</i>	4,855
<i>Net Assets Beginning of Year</i>	<u>32,878</u>
<i>Net Assets End of Year</i>	<u><u>\$37,733</u></u>

See accompanying notes to the basic financial statements

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 43 classified employees and 83 certificated full-time teaching personnel who provide services to 1,179 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 and the Knox County Career Center, jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 11 and 12 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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, 2007

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

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

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

B. Fund Accounting

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

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

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

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

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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. 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, 2007

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

During fiscal year 2007, investments were limited to STAROhio, the State Treasurer's Investment Pool. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$249,069, which includes \$71,044 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by statute to be set-aside by the School District for the purchase of capital improvements. See Note 18 for additional information regarding set asides.

G. Inventory

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

H. Capital Assets

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

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

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

I. Compensated Absences

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

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

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Bond Issuance Costs

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bonds issuance costs are reported as an expenditure on the governmental fund financial statements when incurred.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

L. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount on the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

M. Deferred Loss on Refunding

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

N. Interfund Activity

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Exchange transactions between funds are reported as 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.

O. 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 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.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$1,021,166 of restricted net assets, none of which are 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.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Q. 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.

R. 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.

S. 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.

T. Budgetary Data

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

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

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 3 – Accountability and Compliance

A. Accountability

The following funds had deficit fund balances at June 30, 2007:

Fund	Amount
<i>Special Revenue Funds:</i>	
Ohio Reads	\$10
SchoolNet Professional Development	16
Title VI-B	2,181
Title I	4,277
Title II-A	11,899
<i>Capital Projects Fund:</i>	
Energy Conservation Project	33,556

The special revenue and capital projects 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.

B. Compliance

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

	Appropriations	Expenditures	Excess
Bond Retirement Debt Service Fund	\$456,100	\$4,790,754	(\$4,334,654)
Self Insurance Internal Service Fund	57,966	67,683	(9,717)

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.

Contrary to Ohio Revised Code Section 5705.41(D) the District did not properly certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance for a portion of their 2007 expenditures.

Note 4 - 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).

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

Net Change in Fund Balance	
GAAP Basis	\$895,794
Net Adjustment for Revenue Accruals	(260,909)
Net Adjustment for Expenditure Accruals	(45,419)
Encumbrances	<u>(143,268)</u>
Budget Basis	<u><u>\$446,198</u></u>

Note 5 – Cash and Cash Equivalents

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$3,487,396 of the School District's bank balance of \$3,678,620 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2007, the School District only had an investment in STAROhio, the State Treasurer's Investment Pool. This investment of \$1,526,619 has an average maturity of 38.56 days.

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

Note 6 – 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. 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, 2007, are available to finance fiscal year 2007 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, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is 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, 2007 was \$784,062 in the general fund, \$110,162 in the debt service fund, \$35,604 in the permanent improvement capital projects fund and \$12,212 in the classroom facilities special revenue fund. The amount available as an advance at June 30, 2006, was \$797,865 in the general fund, \$161,676 in the debt service fund, \$35,865 in the permanent improvement capital projects fund and \$12,612 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 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$94,624,330	95.92%	\$106,043,580	96.80%
Public Utility Personal	2,769,950	2.81	2,593,430	2.37
General Business Personal	1,254,415	1.27	910,320	0.83
	<u>\$98,648,695</u>	<u>100.00%</u>	<u>\$109,547,330</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$41.16		\$39.05

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 7 – 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 8 - Receivables

Receivables at June 30, 2007, consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, other than delinquent taxes, are expected to be collected within one year.

The School District has an intergovernmental receivable for the Title I special revenue fund in the amount of \$22,764.

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/2006	Additions	Deductions	Balance 6/30/2007
Governmental Activities				
Non-Depreciable Assets				
Land	\$362,010	\$0	\$0	\$362,010
Construction in Progress	277,622	95,325	(372,947)	0
Total Non-Depreciable Assets	<u>639,632</u>	<u>95,325</u>	<u>(372,947)</u>	<u>362,010</u>
Depreciable Assets				
Building and Improvements	24,483,756	374,205	0	24,857,961
Furniture and Equipment	1,085,982	103,515	0	1,189,497
Vehicles	753,214	258,839	(53,729)	958,324
Total Depreciable Assets	<u>26,322,952</u>	<u>736,559</u>	<u>(53,729)</u>	<u>27,005,782</u>
Less Accumulated Depreciation:				
Building and Improvements	(3,399,405)	(778,669)	0	(4,178,074)
Furniture and Equipment	(284,633)	(79,229)	0	(363,862)
Vehicles	(328,850)	(347,568)	53,729	(622,689)
Total Accumulated Depreciation	<u>(4,012,888)</u>	<u>(1,205,466) *</u>	<u>53,729</u>	<u>(5,164,625)</u>
Depreciable Capital Assets, Net	<u>22,310,064</u>	<u>(468,907)</u>	<u>0</u>	<u>21,841,157</u>
Governmental Activities Capital Assets, Net	<u>\$22,949,696</u>	<u>(\$373,582)</u>	<u>(\$372,947)</u>	<u>\$22,203,167</u>

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$814,998
Special	611
Vocational	10,134
Support Services	
Instructional Staff	10,108
Administration	4,795
Operation and Maintenance of Plant	834
Pupil Transportation	347,775
Central	4,523
Extracurricular Activities	6,003
Food Service Operations	5,685
Total Depreciation Expense	\$1,205,466

Note 10 – Long-Term Obligations

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

Debt Issue	Interest Rate	Issue Amount	Year of Maturity
1996 Energy Conservation Bonds	5.20%	\$380,000	2007
2001 Ohio School Facilities Commission Bonds:			
Current Interest Serial Bonds	3.4 - 4.3%	\$1,790,000	2001 to 2010
Current Interest Term Bonds	5.1 - 5.125%	4,355,000	2027
Capital Appreciation Bonds	7.69%	336,995	2011 to 2013
2007 Refunded Ohio Facilities Commission Bonds			
Current Interest Serial Bonds	4.0 - 5.0%	1,835,000	2020 to 2023
Current Interest Term Bonds	3.8 - 5.75%	2,325,000	2007-2027
Capital Appreciation Bonds	4.17%	194,998	2014

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Changes in long-term obligations of the School District during fiscal year 2007 were as follows:

	Principal Outstanding June 30, 2006	Additions	Deductions	Principal Outstanding June 30, 2007	Amount Due in One Year
Governmental Activities					
General Obligation Bonds					
Ohio School Facilities					
Commission Bonds					
Current Interest Serial Bonds	\$1,090,000	\$0	\$190,000	\$900,000	\$210,000
Current Interest Term Bonds	4,355,000	0	4,355,000	0	0
Capital Appreciation Bonds	336,995	0	0	336,995	0
Accretion on Capital					
Appreciation Bonds	159,683	39,370	0	199,053	0
Total Ohio School Facilities					
Commission Bonds	5,941,678	39,370	4,545,000	1,436,048	210,000
Refunded Ohio School Facilities					
Commission Bonds					
Current Interest Serial Bonds	0	1,835,000	0	1,835,000	0
Current Interest Term Bonds	0	2,325,000	65,000	2,260,000	10,000
Capital Appreciation Bonds	0	194,998	0	194,998	0
Accretion on Capital					
Appreciation Bonds	0	7,742	0	7,742	0
Premium on Bonds		361,280	10,537	350,743	0
Unamortized Loss	0	(284,231)	8,290	(275,941)	0
Total Refunded Ohio School					
Facilities Commission Bonds	0	4,439,789	83,827	4,372,542	10,000
Energy Conservation Bonds	50,000	0	50,000	0	0
Total General Obligation Bonds	5,991,678	4,479,159	4,678,827	5,808,590	220,000
Compensated Absences	459,250	29,871	19,297	469,824	48,381
Total Governmental Activities					
Long-Term Liabilities	\$6,450,928	\$4,509,030	\$4,698,124	\$6,278,414	\$268,381

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

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

At June 30, 2007 the full amount of the term bonds had been retired by the School District through an advance refunding.

The serial and capital appreciation bonds remained outstanding at June 30, 2007. The capital appreciation bonds were originally sold at a discount of \$478,005, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2011 through 2013. The final amount of the capital appreciation bonds will be \$815,000.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

On October 4, 2007, the School District issued \$4,354,998 in general obligation bonds to refund a portion of the OSFC general obligation bonds in order to take advantage of lower interest rates. The bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$1,835,000, \$2,325,000 and \$194,998, respectively. The bonds were issued for a twenty-five year with final maturity at December 1, 2027. The bonds will be retired from the debt service fund.

The bonds were sold at a premium of \$361,280. Net proceeds of \$4,639,231 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$4,355,000 of these bonds is considered defeased and the liability for the refunded portion of these bonds has been removed from the School District's financial statements.

The School District decreased its total debt service payments by \$304,082 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$206,921.

An analysis of the refunding issue follows:

	OSFC Bonds
Outstanding at June 30, 2006	\$5,941,678
Amount Refunded	(4,355,000)
Current Fiscal Year Accretion	39,370
Non-Refunded Portion	1,626,048
Principle Payment on Non-Refunded Portion	(190,000)
Outstanding Principal at June 30, 2007	\$1,436,048

The new OSFC bonds issued to refund a portion of the old OSFC bonds include serial bonds, term bonds and capital appreciation bonds. The additions were \$7,742 which represents the annual accretion of discounted interest. The final amount of the capital appreciation bonds will be \$315,000 payable at December 2015.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

<u>Year</u>	<u>Amount</u>
2007	\$10,000
2008	10,000
2009	10,000
2010	10,000
2011	10,000
2012	10,000
2013	10,000
Total	<u><u>\$70,000</u></u>

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

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

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

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

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

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

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The overall debt margin of the School District as of June 30, 2007 was \$4,987,342 with an unvoted debt margin of \$108,725. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds					
	OSFC Serial		OSFC Term		OSFC Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$210,000	\$255,446	\$10,000	\$198,598	\$0	\$0
2009	215,000	246,839	10,000	198,198	0	0
2010	230,000	237,601	10,000	197,798	0	0
2011	245,000	227,504	10,000	197,398	118,103	146,897
2012	0	0	10,000	196,998	111,586	158,414
2013-2017	0	0	635,000	956,590	302,304	292,696
2018-2022	870,000	184,846	1,090,000	437,280	0	0
2023-2027	965,000	104,346	355,000	46,274	0	0
2028	0	0	130,000	5,395	0	0
Total	\$2,735,000	\$1,256,582	\$2,260,000	\$2,434,529	\$531,993	\$598,007

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

Note 11 - Jointly Governed Organizations

Tri-Rivers Educational Computer Association The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Marion, Morrow, Knox, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of TRECA consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid \$30,070 to TRECA during fiscal year 2007 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 2007. To obtain financial information, write to the Knox County Career Center, Tracy Elliott, who serves as Treasurer, at 306 Martinsburg Road, Mount Vernon, Ohio 43050.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 12 - Insurance Purchasing Pool

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

Note 13 - Risk Management

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 2007, the School District contracted with Ohio School Plan for various types of insurance as follows:

Type of Coverage	Deductible	Liability Limit
Building and Contents-replacement cost	\$1,000	\$43,652,928
Crime Insurance	1,000	100,000
Automobile Liability	1,000	1,000,000
General Liability -		
Per Occurrence	0	1,000,000
Per Year	0	3,000,000
Errors and Omissions	2,500	1,000,000

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

B. Workers' Compensation

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

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 \$6,538 reported in the internal service fund at June 30, 2007 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
2006	\$5,714	\$56,118	\$54,652	\$7,180
2007	7,180	61,349	61,991	6,538

Note 14 - Defined Benefits 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.

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 2007, 10.68 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$104,939, \$106,064, and \$87,880, respectively; 65.59 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

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 East Broad Street, Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$516,097, \$506,364, and \$489,802, respectively; 88.01 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$727 made by the School District and \$3,974 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 15 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$39,700 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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 health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$53,203.

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 the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

Note 16 - Other Employee Benefits

A. Compensated Absences

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

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

B. Medical Insurance Benefits

The School District provides medical insurance to most employees through the Anthem Insurance Company. Monthly Premiums for fiscal year 2007 were \$980 for family coverage and \$356 for single coverage.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

C. Life Insurance Benefits

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

D. Deferred Compensation

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

Note 17 - Operating Leases

The School District is obligated under certain leases accounted for as operating leases. The future minimum lease payment required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2007, is \$8,922, this will be paid in fiscal year 2008.

Note 18 - Set Asides

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

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

	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-Aside Reserve Balance as of June 30, 2006	\$0	\$34,252
Current Year Set-aside Requirement	172,103	172,103
Current Year Offsets	(73,800)	0
Qualifying Disbursements	(30,045)	(231,321)
Total	\$68,258	(\$24,966)
Set-aside Balance Carried Forward to Future Fiscal Years	\$68,258	(\$24,966)
Set-aside Reserve Balance as of June 30, 2006	\$68,258	\$0

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the textbooks set-aside. The extra amount for textbooks may be used to reduce the set-aside requirement of future years. The total reserve balance for the two set asides at the end of the fiscal year was \$68,258.

Centerburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

The school district is not party to legal proceedings.

Note 20 – Public Utility Property Tax Refund

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of that refund is estimated to be approximately \$9,477 per year. A portion of the refund may be recovered from additional State entitlement payments.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
National School Lunch Program	047829-LLP4-2005/2006	10.555	\$ 53,937	\$ -	\$ 53,937	\$ -
Food Donation	31-6400369	10.550	-	36,938	-	36,938
Total U.S. Department of Agriculture			<u>53,937</u>	<u>36,938</u>	<u>53,937</u>	<u>36,938</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	047829-C1S1-2006	84.010	143,088	-	144,853	-
Special Education Grants to States	047829-6BSF-2005/2006	84.027	259,940	-	245,648	-
Safe and Drug-Free Schools and Communities State Grants	047829-DRS1-2006	84.186	8,184	-	8,285	-
Innovative Educational Program Strategies	047829-C2S1-2006	84.298	3,593	-	1,306	-
Education Technology State Grants	047829-TJS1-2006	84.318	1,917	-	2,103	-
Improving Teacher Quality State Grants	047829-TRS1-2005/2006	84.367	43,770	-	40,745	-
Total U.S. Department of Education			<u>460,492</u>	<u>-</u>	<u>442,940</u>	<u>-</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			<u>\$ 514,429</u>	<u>\$ 36,938</u>	<u>\$ 496,877</u>	<u>\$ 36,938</u>

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION

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

NOTE C – FOOD DONATION PROGRAM

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 non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Centerburg Local School District
Knox County
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 the Centerburg Local School District, Knox County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding number 2007-001 is also a material weakness.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

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. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 7, 2008



Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE 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, Knox County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the 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, Centerburg Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

January 7, 2008

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS (Continued)
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

FINDING NUMBER 2007-001

Noncompliance, significant deficiency and material weakness

Expenditures Exceeding Appropriations/Budgetary Posting

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to make any expenditure of money unless it has been appropriated as provided in such chapter.

Fund	<u>Original Appropriations</u>	<u>Final Approved Appropriations</u>	<u>Actual Disbursements</u>	<u>Variance:</u>
002 – Bond Retirement	\$456,100	\$456,100	\$4,790,754	(\$4,334,654)
024 – Self Insurance	\$64,446	\$57,966	\$67,683	(\$9,717)

The District refinanced a bond issue, however, the issuance of the new bonds and subsequent payment to retire the existing bond issue was not budgeted, nor did the District record the debt refunding in the accounting system as prescribed by Auditor of State Bulletins 2006-004 and 2007-006. However, the financial statements were updated to include the receipt and expenditure activity of the refinancing prior to audit of the statements.

Also, appropriations recorded on the District’s accounting system for Fund (024) Employee Benefits Self–Insurance did not agree with the amounts certified by the County Auditor. As a result, actual disbursements exceeded appropriations by \$9,717.

For accurate financial reporting, including management’s ability to monitor operations, an internal control system must be in place to allow management or other personnel of the entity, in performing their assigned functions, to identify, record, and report all transactions and to prevent or detect misstatements on a timely basis.

Failure to properly record all transactions, regardless of whether cash is actually received or disbursed, prevents management from being presented with accurate up to date information from which to make sound financial decisions regarding the District.

We recommend that the Treasurer and Board of Education develop internal control policies that:

- Identify transactions in which money is not physically received or disbursed, but by federal, state, or local laws, or other authoritative guidance are required to be posted to the District’s accounting system;
- Identify transactions or occurrences that would indicate the necessity to amend appropriations;
- Ensure that all budgetary amendments have been properly posted to the accounting system.

CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY

SCHEDULE OF FINDINGS (Continued)
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)

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

FINDING NUMBER 2007-002

Noncompliance

Certification of Funds

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Treasurer is attached thereto. The Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be null and void.

There are several exceptions to the standard requirement stated above that a Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District's Treasurer can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – The District may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-seven percent (27%) of the transactions tested were not certified by the Treasurer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**CENTERBURG LOCAL SCHOOL DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS (Continued)
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-002 (Continued)

Noncompliance (Continued)

Certification of Funds (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District's Treasurer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: We did not receive a response from Officials to the findings reported above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
Auditor of State

CENTERBURG LOCAL SCHOOL DISTRICT

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2008**