



Dave Yost • Auditor of State



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General and thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

*Supplementary and Other Information*

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

*Management's Discussion & Analysis* includes tables of net position, changes in net cash position, governmental activities, fund cash balances, cash receipts and disbursements, and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

November 22, 2013

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**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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The discussion and analysis of Centerburg Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- The School District was able, through attrition and careful management, to reduce personnel costs for the second consecutive year. Total general fund salary expenditures are at the level of fiscal year 2006 salary expenditures.
- Due to extremely high medical insurance premium increases, the School District moved to a self funded module for medical insurance.
- In order to prepare for State mandated Partnership for Assessment of Readiness for College and Career testing and hybrid learning models the School District invested heavily in technology upgrades. Both the elementary and high school/middle school infrastructure was completely upgraded to current standards along with the installation of wireless technology. State mandates will require the School District to continue to upgrade desktop and mobile devices in both buildings.
- The School District continued to diligently monitor both revenues and expenses in order to prudently manage the resources needed to educate students.

**Using these Basic Financial Statements**

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

**Reporting the School District as a Whole**

*Statement of Net Position and Statement of Activities*

The statement of net position and the statement of activities reflect how the School District did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts and interest are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When

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*Management's Discussion and Analysis*  
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evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

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

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

*Fund Financial Statements*

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

*Governmental Funds*

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

*Proprietary Funds*

The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for dental self-insurance. As of June 1, 2013, the internal service fund also accounts for medical self-insurance.

*Fiduciary Funds*

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

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
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**The School District as a Whole**

Table 1 provides a summary of the School District's net position for 2013 compared to 2012 on a cash basis:

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

	2013	2012	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,204,703	\$4,944,184	\$260,519
<i>Total Assets</i>	<u>5,204,703</u>	<u>4,944,184</u>	<u>260,519</u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	315,951	320,831	(4,880)
Debt Service	732,391	728,556	3,835
Set Asides	432,296	482,845	(50,549)
Other Purposes	337,665	419,760	(82,095)
Unrestricted	<u>3,386,400</u>	<u>2,992,192</u>	<u>394,208</u>
<i>Total Net Position</i>	<u><u>\$5,204,703</u></u>	<u><u>\$4,944,184</u></u>	<u><u>\$260,519</u></u>

The School District's net position in fiscal year 2013 increased over net position in fiscal year 2012. This increase was due to reductions in expenses in almost every area. The chart on the following page provides more detail on expenses.

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net position for 2013 compared to 2012 on a cash basis:

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

	2013	2012	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$512,099	\$319,826	\$192,273
Operating Grants and Contributions	873,531	1,223,941	(350,410)
Capital Grants and Contributions	15,225	15,112	113
Total Program Revenues	<u>1,400,855</u>	<u>1,558,879</u>	<u>(158,024)</u>
General Revenues:			
Property Taxes	2,970,971	2,871,978	98,993
Income Taxes	1,103,567	1,049,509	54,058
Grants and Entitlements	5,554,770	5,601,025	(46,255)
Unrestricted Contributions	10,081	12,232	(2,151)
Investments	8,601	11,988	(3,387)
Miscellaneous	4,263	3,796	467
Total General Revenues	<u>9,652,253</u>	<u>9,550,528</u>	<u>101,725</u>
Total Revenues	<u>11,053,108</u>	<u>11,109,407</u>	<u>(56,299)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	4,362,934	4,466,996	104,062
Special	1,379,840	1,427,082	47,242
Vocational	119,224	170,514	51,290
Student Intervention Services	185,224	209,911	24,687
Support Services:			
Pupils	364,613	359,281	(5,332)
Instructional Staff	386,063	310,796	(75,267)
Board of Education	9,000	9,657	657
Administration	855,582	1,071,816	216,234
Fiscal	318,304	330,323	12,019
Operation and Maintenance of Plant	1,049,344	895,106	(154,238)
Pupil Transportation	694,393	657,755	(36,638)
Central	3,353	7,002	3,649
Operation of Non-Instructional Services	248,982	262,310	13,328
Extracurricular Activities	332,593	330,818	(1,775)
Capital Outlay	6,743	7,706	963
Debt Service	476,397	471,798	(4,599)
Total Program Expenses	<u>10,792,589</u>	<u>10,988,871</u>	<u>196,282</u>
Increase in Net Position	260,519	120,536	139,983
<i>Net Position Beginning of Year</i>	<u>4,944,184</u>	<u>4,823,648</u>	<u>120,536</u>
<i>Net Position End of Year</i>	<u>\$5,204,703</u>	<u>\$4,944,184</u>	<u>\$260,519</u>

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

Some of the significant disbursements during fiscal year 2013 were in the categories of regular and special instruction. Regular instruction disbursements are primarily salary and benefit costs for the School District's teachers.

***Governmental Activities***

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

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

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

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

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$4,362,934	(\$4,155,587)	\$4,466,996	(\$4,097,643)
Special	1,379,840	(1,047,960)	1,427,082	(1,111,445)
Vocational	119,224	(115,518)	170,514	(169,277)
Student Intervention Services	185,224	251	209,911	66,076
Support Services:				
Pupils	364,613	(338,858)	359,281	(356,854)
Instructional Staff	386,063	(279,644)	310,796	(160,148)
Board of Education	9,000	(8,720)	9,657	(8,063)
Administration	855,582	(825,926)	1,071,816	(1,059,234)
Fiscal	318,304	(308,607)	330,323	(328,040)
Operation and Maintenance of Plant	1,049,344	(928,367)	895,106	(853,926)
Pupil Transportation	694,393	(672,804)	657,755	(642,929)
Central	3,353	5,404	7,002	(1,602)
Operation of Non-Instructional Services	248,982	(17,121)	262,310	(16,958)
Extracurricular Activities	332,593	(219,695)	330,818	(210,445)
Capital Outlay	6,743	(2,185)	7,706	(7,706)
Debt Service	476,397	(476,397)	471,798	(471,798)
<b>Total</b>	<b>\$10,792,589</b>	<b>(\$9,391,734)</b>	<b>\$10,988,871</b>	<b>(\$9,429,992)</b>

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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

**School District's Funds**

Information regarding the School District's major funds can be found beginning on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total revenues of \$11,053,105 and expenditures of \$10,792,589. The net change in fund balance for the year was an increase of \$260,516. The general fund had revenues of \$9,352,524 and expenditures of \$9,025,571. This surplus of \$326,953 is due to an increase in revenues from the prior fiscal year, despite the small increase in expenditures. The bond retirement fund had revenues of \$490,466 and expenditures of \$486,631, yielding an increase in fund balance of \$3,835.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2013, the School District amended its general fund budget numerous times, none significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the general fund, the original and final budget basis resources totaled \$8,889,500. The final budget was \$439,673 less than the actual revenues received in the amount of \$9,329,173. The majority of the difference between estimated and actual revenues was due to higher than anticipated tax revenue. Appropriations and other financing uses had an original budget of \$11,444,605 and a final budget of \$11,444,604. Actual expenditures and other financing uses were \$9,788,504, or \$1,656,100 less than the final budget, due to conservative spending.

The general fund's unencumbered ending cash balance totaled \$3,003,956 which was above the final budgeted amount of \$908,183.

**Capital Assets and Debt Administration**

*Capital Assets*

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

**Centerburg Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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*Debt*

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

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

	<u>2013</u>	<u>2012</u>
Ohio School Facilities Commission Bonds	\$269,531	\$509,650
Refunded Ohio School Facilities Commission Bonds	<u>4,364,302</u>	<u>4,364,012</u>
<i>Total</i>	<u><u>\$4,633,833</u></u>	<u><u>\$4,873,662</u></u>

The 2001 school facilities bonds were issued for the local share of the School District's approved master plan with the Ohio School Facilities Commission. These bonds will be fully repaid in fiscal year 2015. A portion of these bonds was refunded during fiscal year 2007. These refunded bonds will be fully repaid in fiscal year 2028.

The School District's overall legal debt margin was \$8,008,035 with an unvoted debt margin of \$129,033. 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 2013, Centerburg Local School District earned an "A" rating in student growth and an "A" rating in meeting indicators on the State Report Card.

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

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

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

The School District continues to be proactive in funds management. As revenues continue to decline, the School District reacted by aggressively containing personnel costs, negotiating a complete freeze on all staff salaries for fiscal year 2012, and with step increases only for fiscal years 2013 and 2014. The reduction in staff in fiscal year 2012 included four certified positions at the high school/middle school, two certified

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*Management's Discussion and Analysis*  
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*Unaudited*

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positions at the elementary school, one administrative position, two bus driver positions, two janitorial positions, one classroom aide, and nine assistant coaching positions. These reductions are still implemented and continue to save the School District money.

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

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

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

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



**Centerburg Local School District**  
*Statement of Net Position - Cash Basis*  
*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,204,703</u>
<i>Total Assets</i>	<u>\$5,204,703</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	315,951
Debt Service	732,391
Set Asides	432,296
Other Purposes	337,665
Unrestricted	<u>3,386,400</u>
<i>Total Net Position</i>	<u><u>\$5,204,703</u></u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,362,934	\$133,588	\$73,759	\$0	(\$4,155,587)
Special	1,379,840	34,452	297,428	0	(1,047,960)
Vocational	119,224	3,706	0	0	(115,518)
Student Intervention Services	185,224	0	185,475	0	251
Support Services:					
Pupils	364,613	10,869	14,886	0	(338,858)
Instructional Staff	386,063	8,960	97,459	0	(279,644)
Board of Education	9,000	280	0	0	(8,720)
Administration	855,582	26,461	2,753	442	(825,926)
Fiscal	318,304	9,489	0	208	(308,607)
Operation and Maintenance of Plant	1,049,344	24,071	86,889	10,017	(928,367)
Pupil Transportation	694,393	21,589	0	0	(672,804)
Central	3,353	0	8,757	0	5,404
Operation of Non-Instructional Services	248,982	125,736	106,125	0	(17,121)
Extracurricular Activities	332,593	112,898	0	0	(219,695)
Capital Outlay	6,743	0	0	4,558	(2,185)
Debt Service	476,397	0	0	0	(476,397)
<i>Totals</i>	<u>\$10,792,589</u>	<u>\$512,099</u>	<u>\$873,531</u>	<u>\$15,225</u>	<u>(9,391,734)</u>

**General Receipts**

Property Taxes Levied for:

General Purposes	2,422,493
Debt Service	429,201
Capital Projects	74,783
Classroom Facilities Maintenance	44,494
Income Taxes Levied for General Purposes	1,103,567
Grants and Entitlements not Restricted to Specific Programs	5,554,770
Unrestricted Contributions	10,081
Investment Earnings	8,601
Miscellaneous	4,263

*Total General Receipts* 9,652,253

Change in Net Position 260,519

*Net Position Beginning of Year* 4,944,184

*Net Position End of Year* \$5,204,703

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Assets, Liabilities and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,378,676	\$732,391	\$652,708	\$4,763,775
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	432,296	0	0	432,296
<i>Total Assets</i>	<u>\$3,810,972</u>	<u>\$732,391</u>	<u>\$652,708</u>	<u>\$5,196,071</u>
<b>Fund Balances</b>				
Restricted	432,296	732,391	653,616	1,818,303
Committed	280,890	0	0	280,890
Assigned	1,704,504	0	0	1,704,504
Unassigned (Deficit)	1,393,282	0	(908)	1,392,374
<i>Total Fund Balances</i>	<u>3,810,972</u>	<u>732,391</u>	<u>652,708</u>	<u>5,196,071</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,810,972</u>	<u>\$732,391</u>	<u>\$652,708</u>	<u>\$5,196,071</u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2013*

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**Total Governmental Fund Balances** \$5,196,071

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

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

8,632

*Net Position of Governmental Activities*

\$5,204,703

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,422,493	\$429,201	\$119,277	\$2,970,971
Income Taxes	1,103,567	0	0	1,103,567
Intergovernmental	5,505,849	61,265	871,412	6,438,526
Interest	8,598	0	0	8,598
Tuition and Fees	271,910	0	0	271,910
Extracurricular Activities	17,728	0	88,690	106,418
Contributions and Donations	10,081	0	5,000	15,081
Charges for Services	0	0	125,736	125,736
Rentals	8,035	0	0	8,035
Miscellaneous	4,263	0	0	4,263
<i>Total Receipts</i>	<u>9,352,524</u>	<u>490,466</u>	<u>1,210,115</u>	<u>11,053,105</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,296,907	0	66,027	4,362,934
Special	1,108,148	0	271,692	1,379,840
Vocational	119,224	0	0	119,224
Student Intervention Services	0	0	185,224	185,224
Support Services:				
Pupils	349,613	0	15,000	364,613
Instructional Staff	288,214	0	97,849	386,063
Board of Education	9,000	0	0	9,000
Administration	851,099	0	4,483	855,582
Fiscal	305,234	10,234	2,836	318,304
Operation and Maintenance of Plant	774,232	0	275,112	1,049,344
Pupil Transportation	694,393	0	0	694,393
Central	0	0	3,353	3,353
Operation of Non-Instructional Services	0	0	248,982	248,982
Extracurricular Activities	229,507	0	103,086	332,593
Capital Outlay	0	0	6,743	6,743
Debt Service:				
Principal Retirement	0	280,000	0	280,000
Interest and Fiscal Charges	0	196,397	0	196,397
<i>Total Disbursements</i>	<u>9,025,571</u>	<u>486,631</u>	<u>1,280,387</u>	<u>10,792,589</u>
<i>Net Change in Fund Balances</i>	326,953	3,835	(70,272)	260,516
<i>Fund Balances Beginning of Year</i>	<u>3,484,019</u>	<u>728,556</u>	<u>722,980</u>	<u>4,935,555</u>
<i>Fund Balances End of Year</i>	<u>\$3,810,972</u>	<u>\$732,391</u>	<u>\$652,708</u>	<u>\$5,196,071</u>

See accompanying notes to the basic financial statements

**Centerburg Local School District**

*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$260,516</b>
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*Amounts reported for governmental activities in the  
statement of activities are different because*

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

3

*Change in Net Position of Governmental Activities*

\$260,519

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$1,888,134	\$2,066,500	\$2,422,493	\$355,993
Income Taxes	1,026,000	1,026,000	1,103,567	77,567
Intergovernmental	5,896,166	5,477,800	5,505,849	28,049
Interest	22,000	22,000	8,598	(13,402)
Tuition and Fees	47,000	287,000	271,910	(15,090)
Contributions and Donations	1,500	1,500	4,458	2,958
Rentals	5,700	5,700	8,035	2,335
Miscellaneous	3,000	3,000	4,263	1,263
<i>Total Receipts</i>	8,889,500	8,889,500	9,329,173	439,673
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	4,573,875	4,703,603	4,572,051	131,552
Special	1,408,421	1,336,991	1,166,621	170,370
Vocational	212,832	202,993	127,485	75,508
Support Services:				
Pupils	362,785	377,926	351,651	26,275
Instructional Staff	236,145	347,830	302,596	45,234
Board of Education	9,594	9,511	9,000	511
Administration	1,504,223	1,408,698	928,383	480,315
Fiscal	375,145	387,592	310,999	76,593
Operation and Maintenance of Plant	1,539,688	1,389,384	1,044,506	344,878
Pupil Transportation	964,799	1,026,213	766,770	259,443
Extracurricular Activities	235,523	232,288	208,442	23,846
<i>Total Disbursements</i>	11,423,030	11,423,029	9,788,504	1,634,525
<i>Excess of Receipts Under Disbursements</i>	(2,533,530)	(2,533,529)	(459,331)	2,074,198
<b>Other Financing Uses</b>				
Transfers Out	(21,575)	(21,575)	0	21,575
<i>Net Change in Fund Balance</i>	(2,555,105)	(2,555,104)	(459,331)	2,095,773
<i>Fund Balance Beginning of Year</i>	3,150,853	3,150,853	3,150,853	0
Prior Year Encumbrances Appropriated	312,434	312,434	312,434	0
<i>Fund Balance End of Year</i>	\$908,182	\$908,183	\$3,003,956	\$2,095,773

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Fund Net Position - Cash Basis*  
*Internal Service Fund*  
*June 30, 2013*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$8,632</u>
<b>Net Position</b>	
Unrestricted	<u>\$8,632</u>

See accompanying notes to the basic financial statements



**Centerburg Local School District**  
*Statement of Receipts, Disbursements  
and Changes in Fund Net Position - Cash Basis  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2013*

	Insurance
<b>Non-Operating Receipts</b>	
Interest	\$3
<i>Change in Net Position</i>	3
<i>Net Position Beginning of Year</i>	8,629
<i>Net Position End of Year</i>	\$8,632

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2013*

	Private-Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$123,174	\$46,014
<b>Liabilities</b>		
Undistributed Monies	0	6,841
Due to Students	0	39,173
<i>Total Liabilities</i>	0	\$46,014
<b>Net Position</b>		
Held in Trust for Scholarships	\$123,174	

See accompanying notes to the basic financial statements

**Centerburg Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Scholarship
<b>Additions</b>	
Interest	\$247
Contributions and Donations	4,500
Miscellaneous	1,558
<i>Total Additions</i>	6,305
<b>Deductions</b>	
Scholarships Awarded	10,200
<i>Change in Net Position</i>	(3,895)
<i>Net Position Beginning of Year</i>	127,069
<i>Net Position End of Year</i>	\$123,174

See accompanying notes to the basic financial statements

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**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's two instructional facilities, one administrative building, and one garage staffed by 39 classified employees and 72 certificated full-time teaching personnel who provide services to 1,147 students and other community members.

*Reporting Entity*

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

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

The School District participates in the Tri-Rivers Educational Computer Association and the Knox County Career Center, jointly governed organizations, and in the Ohio School Boards Association Workers' Compensation Group Rating Program and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, insurance purchasing pools. These organizations are presented in Notes 10 and 11 to the basic financial statements.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

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

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

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

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self insurance fund that accounts for dental benefits of School District employees. As of June 1, 2013, the internal service fund also accounts for medical self-insurance.

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

***Basis of Accounting***

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Cash and Cash Equivalents***

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

During fiscal year 2013, investments were limited to STAR Ohio, the State Treasurer's Investment Pool. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$8,598, which includes \$2,253 assigned from other School District funds.

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

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by statute to be set-aside by the School District for the purchase of capital improvements. See Note 16 for additional information regarding set asides.

***Inventory and Prepaid Items***

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

***Capital Assets***

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

***Accumulated Leave***

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

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

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.



**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Long-term Obligations***

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

***Fund Balance***

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

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. In fiscal year 2013, the School District switched to a self-insured program for medical insurance and had money committed to the program at year end.

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

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

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Net Position***

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

***Interfund Transactions***

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

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

***Budgetary Data***

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

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

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

**Note 3 – Changes in Accounting Principles**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53,” Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

**Note 4 – Accountability**

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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**Note 5 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis), including funds budgeted elsewhere, amounted to \$783,998. Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on cash basis. This includes public school support fund (assigned).

**Note 6 – Fund Balance**

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total
<b><i>Restricted for</i></b>				
Food Service Operations	\$0	\$0	\$7,330	\$7,330
Classroom Maintenance	0	0	291,906	291,906
District Managed Activities	0	0	17,700	17,700
Special Education	0	0	10,970	10,970
Capital Improvements	432,296	0	0	432,296
Other Purposes	0	0	9,759	9,759
Debt Service Payments	0	732,391	0	732,391
Capital Improvements	0	0	315,951	315,951
<b><i>Total Restricted</i></b>	<b>432,296</b>	<b>732,391</b>	<b>653,616</b>	<b>1,818,303</b>
<b><i>Committed to</i></b>				
Purchases on Order	77,831	0	0	77,831
Self-insurance Program	203,059	0	0	203,059
<b><i>Total Committed</i></b>	<b>280,890</b>	<b>0</b>	<b>0</b>	<b>280,890</b>
<b><i>Assigned to</i></b>				
2014 Appropriations	1,309,253	0	0	1,309,253
Purchases on Order	372,233	0	0	372,233
Other Purposes	23,018	0	0	23,018
<b><i>Total Assigned</i></b>	<b>1,704,504</b>	<b>0</b>	<b>0</b>	<b>1,704,504</b>
<b><i>Unassigned (Deficit)</i></b>	<b>1,393,282</b>	<b>0</b>	<b>(908)</b>	<b>1,392,374</b>
<b><i>Total Fund Balances</i></b>	<b>\$3,810,972</b>	<b>\$732,391</b>	<b>\$652,708</b>	<b>\$5,196,071</b>

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 7 – Cash and Cash Equivalents**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$1,953,790 of the School District's bank balance of \$5,264,423 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging

**Centerburg Local School District**  
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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, 2013, the School District only had an investment in STAR Ohio, the State Treasurer's Investment Pool. This investment of \$110,001 has an average maturity of 57.5 days.

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

## **Note 8 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in calendar year 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Knox and Morrow Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$128,323,950	97.77%	\$128,844,920	97.82%
Public Utility Personal	2,933,440	2.23	2,872,690	2.18
	\$131,257,390	100.00%	\$131,717,610	100.00%

Tax Rate per \$1,000 of assessed valuation	\$39.00	\$38.21
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**Note 9 – Income Tax**

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

**Note 10 - 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 \$30,124 to TRECA during fiscal year 2013 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 2013. 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*  
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**Note 11 - Insurance Purchasing Pools**

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

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

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, A risk-sharing, claims servicing, and insurance purchasing pool comprised of ninety-one members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by United Medical Resources.

**Note 12 - Defined Benefit Pension Plans**

***School Employees Retirement System***

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS'



**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.1 percent. The remaining 0.9 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$154,140, \$148,162 and \$139,189, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

***State Teachers Retirement System***

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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.

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The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$519,264 and \$12,310 for the fiscal year ended June 30, 2013, \$512,648 and \$16,871 for the fiscal year ended June 30, 2012, and \$590,219 and \$15,758 for the fiscal year ended June 30, 2011. For fiscal year 2013, 85.73 percent has been contributed for the DB plan and 85.73 percent has been contributed for the Combined Plan. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$14,009 made by the School District and \$10,006 made by the plan members. In addition, member contributions of \$8,793 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 13 - Postemployment Benefits**

***School Employees Retirement System***

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$23,533 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,883, \$6,416, and \$16,854, respectively. 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$8,707, \$8,750, and \$8,957, respectively. 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$40,890, \$42,665, and \$45,401 respectively. For 2013, 85.73 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**Note 14 - Other Employee Benefits**

***Medical Insurance Benefits***

The School District provided medical insurance to most employees through the Anthem Insurance Company during a portion of fiscal year 2013. As of June 1, 2013, the School District switched to a self-insured program.

***Life Insurance Benefits***

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

***Deferred Compensation***

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

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**Note 15 – Long-Term Obligations**

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

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

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	<u>Principal Outstanding June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2013</u>	<u>Amount Due in One Year</u>
<b>Governmental Activities</b>					
<i>General Obligation Bonds</i>					
Ohio School Facilities					
Commission Bonds					
Capital Appreciation Bonds	\$218,892	\$0	\$111,586	\$107,306	\$107,306
Accretion on Capital Appreciation Bonds	290,758	29,881	158,414	162,225	172,694
Total Ohio School Facilities Commission Bonds	509,650	29,881	270,000	269,531	280,000
Refunded Ohio School Facilities					
Commission Bonds					
Current Interest Serial Bonds	1,835,000	0	0	1,835,000	0
Current Interest Term Bonds	2,210,000	0	10,000	2,200,000	10,000
Capital Appreciation Bonds	194,998	0	0	194,998	0
Accretion on Capital Appreciation Bonds	68,472	14,142	0	82,614	0
Premium on Bonds	260,423	0	18,064	242,359	0
Unamortized Loss	(204,881)	0	(14,212)	(190,669)	0
Total Refunded Ohio School Facilities Commission Bonds	4,364,012	14,142	13,852	4,364,302	10,000
<i>Total Governmental Activities     Long-Term Liabilities</i>	<u>\$4,873,662</u>	<u>\$44,023</u>	<u>\$283,852</u>	<u>\$4,633,833</u>	<u>\$290,000</u>

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

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

The serial and capital appreciation bonds remained outstanding at June 30, 2007. The capital appreciation bonds were originally sold at a discount of \$478,005, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2012 through 2014. The maturity amount of outstanding capital appreciation bonds is \$280,000. The accretion recorded for 2013 was \$29,881, for a total outstanding bond liability of \$269,531.

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

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

The maturity amount of outstanding capital appreciation bonds at June 30, 2011 is \$499,000. The accretion recorded for 2013 was \$14,142 for a total outstanding bond liability of \$277,612 at June 30, 2013.

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

Year	Amount
2014	10,000

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:

Year	Amount
2016	\$320,000
2017	335,000
2018	365,000
Total	\$1,020,000

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

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

Year	Amount
2024	\$110,000
2025	120,000
2026	125,000
Total	\$355,000

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

The overall debt margin of the School District as of June 30, 2013 was \$8,008,035 with an unvoted debt margin of \$129,033. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds					
	OSFC Serial		OSFC Term		OSFC Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$0	\$0	\$10,000	\$196,198	\$107,306	\$172,694
2015	0	0	295,000	195,798	0	0
2016	0	0	0	0	194,998	304,002
2017	0	0	320,000	183,998	0	0
2018	0	0	335,000	165,597	0	0
2019-2023	1,340,000	248,766	755,000	271,684	0	0
2024-2028	495,000	40,426	485,000	51,669	0	0
Total	\$1,835,000	\$289,192	\$2,200,000	\$1,064,944	\$302,304	\$476,696

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, 2013, \$4,355,000 of the defeased bonds are still outstanding.

**Note 16 - Set Asides**

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

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

	Capital Improvements Reserve
Set-Aside Reserve Balance as of June 30, 2012	\$482,845
Current Year Set-aside Requirement	194,666
Current Year Offsets	(74,783)
Qualifying Disbursements	(170,432)
Total	\$432,296
Set-aside Balance Carried Forward to Future Fiscal Years	\$432,296
Set-aside Reserve Balance as of June 30, 2013	\$432,296

The total reserve balance at the end of the fiscal year was \$432,296.

**Note 17 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District contracted with Ohio School Plan for various types of insurance as follows:

Type of Coverage	Deductible	Coverage
Building and Contents-replacement cost	\$1,000	\$49,499,285
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 four years. There have been no significant reductions in coverage from last year.

***Workers' Compensation***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 11). 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

**Centerburg Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

***Employee Insurance Benefits***

Beginning on June 1, 2013, the School District offered medical, surgical, prescription drug, dental, and vision claims coverage to all employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. There is no claims liability as of June 30, 2013.

**Note 18 - Contingencies**

***Grants***

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

***Litigation***

As of June 30, 2013, The School District was not party to any legal proceedings.

**Note 19 - Significant Commitments**

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

General Fund	\$783,998
Nonmajor Funds	181,294
Total	<u><u>\$965,292</u></u>



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 23,616	\$ 23,616
Cash Assistance:			
National School Lunch Program	10.555	103,365	103,365
Total Child Nutrition Cluster		<u>126,981</u>	<u>126,981</u>
Total U.S. Department of Agriculture		<u><b>126,981</b></u>	<u><b>126,981</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Safe and Drug Free Schools and Community - National Programs	84.184	59,174	57,305
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	219,525	205,226
Special Education Grants to States	84.027	178,490	179,861
ARRA - Race to the Top	84.395	36,861	32,836
21st Century	84.287	183,261	184,836
Improving Teacher Quality	84.367	<u>36,898</u>	<u>33,187</u>
Total U.S. Department of Education		<u><b>655,035</b></u>	<u><b>635,946</b></u>
<b>Total Federal Assistance</b>		<u><b>\$ 841,190</b></u>	<u><b>\$ 820,232</b></u>

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

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centerburg Local School District, Knox County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



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

November 22, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

We have audited the Centerburg Local School District, Knox County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

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

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

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Centerburg Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

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

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

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

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



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

November 22, 2013

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.287 – 21 <sup>st</sup> Century Community Learning Centers CFDA #84.010 – Title I Grants to Local Education Agencies
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance - Annual Financial Reporting**

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

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

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

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

**Officials’ Response:**

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

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



**CENTERBURG LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Ohio Rev Code Section 117.38 – Annual Financial Report not prepared in accordance with generally accepted accounting principles	No	Reissued as Finding 2013-001

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 11, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

November 22, 2013

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# Dave Yost • Auditor of State

**CENTERBURG LOCAL SCHOOL DISTRICT**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2013**