



**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Continental Local School District
Putnam County
5211 State Route 634
P.O. Box 479
Continental, Ohio 45831-0479

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Continental Local School District, Putnam County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Continental Local School District, Putnam County, Ohio as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 19, 2000

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**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$2,526,163	\$280,623	\$83,690	\$5,127,229
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Cash with fiscal agent		5,548		
Cash with escrow agent				
Investments				
Receivables				
Taxes - current and delinquent	1,038,958	20,359	153,914	46,696
Accounts		11,357		
Accrued interest	15,844			
Due from other governments		4,658		
Prepayments	10,407			
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	68,981			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	\$3,660,353	\$322,545	\$237,604	\$5,173,925

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$31,385	\$7,756	\$41,132			\$8,097,978
		2,206			2,206
		84,794			5,548
		44,500			84,794
6,234					44,500
					1,266,161
					11,357
6,240					15,844
					10,898
3,334					10,407
					3,334
					68,981
14,581			\$8,367,522		8,382,103
				\$82,274	82,274
				1,917,813	1,917,813
\$61,774	\$7,756	\$172,632	\$8,367,522	\$2,000,087	\$20,004,198

(Continued)

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$12,860	\$112		\$4,776
Accrued wages and benefits	392,845	13,084		35
Compensated absences payable	4,283			
Contracts payable				971,286
Retainage payable				
Accrued interest payable			\$9,411	
Pension obligation payable	68,370	1,560		
Deferred revenue	841,286	19,302	145,919	44,338
Due to other governments				
Due to students				
Claims payable				
General obligation bonds payable				
Obligation under capital lease				
Total liabilities	1,319,644	34,058	155,330	1,020,435
Equity and other credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	333,845	1,120		3,391,913
Reserved for prepayments	10,407			
Reserved for debt service			74,279	
Reserved for tax revenue unavailable for appropriation	43,087	1,057	7,995	2,358
Reserved for principal endowment				
Reserved for instructional materials	1,913			
Reserved for capital maintenance	18,037			
Reserved for budget stabilization	49,031			
Reserved for scholarships				
Designated for instructional materials	120,232			
Designated for capital maintenance	117,082			
Designated for budget stabilization	19,592			
Unreserved-undesignated	1,627,483	286,310		759,219
Total equity and other credits	2,340,709	288,487	82,274	4,153,490
Total liabilities, equity and other credits	\$3,660,353	\$322,545	\$237,604	\$5,173,925

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$1,442					\$19,190
13,441	\$5				419,410
10,826				\$335,373	350,482
					971,286
		\$84,794			84,794
					9,411
16,696				30,289	116,915
7,794					1,058,639
		2,676			2,676
		35,238			35,238
	2,896				2,896
				1,594,729	1,594,729
				39,696	39,696
<u>50,199</u>	<u>2,901</u>	<u>122,708</u>		<u>2,000,087</u>	<u>4,705,362</u>
			\$8,367,522		8,367,522
11,575	4,855				16,430
					3,726,878
					10,407
					74,279
					54,497
		34,170			34,170
					1,913
					18,037
					49,031
		2,536			2,536
					120,232
					117,082
					19,592
		<u>13,218</u>			<u>2,686,230</u>
<u>11,575</u>	<u>4,855</u>	<u>49,924</u>	<u>8,367,522</u>		<u>15,298,836</u>
<u>\$61,774</u>	<u>\$7,756</u>	<u>\$172,632</u>	<u>\$8,367,522</u>	<u>\$2,000,087</u>	<u>\$20,004,198</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$1,292,318	\$16,825
Earnings on investments	160,713	2,480
Other local revenues	27,225	84,891
Intergovernmental - State	3,383,146	84,211
Intergovernmental - Federal		190,595
Total revenue	4,863,402	379,002
Expenditures:		
Current:		
Instruction:		
Regular	2,191,642	65,840
Special	474,237	157,780
Vocational	102,083	
Other		2,168
Support services:		
Pupil	121,627	7,828
Instructional staff	240,923	42,837
Board of Education	28,700	
Administration	458,489	16,925
Fiscal	92,309	522
Operations and maintenance	434,855	1,180
Pupil transportation	238,019	1,061
Central	2,621	4,794
Community services	51	7,238
Extracurricular activities	77,408	41,032
Facilities services	23,573	
Debt service:		
Principal retirement	8,274	
Interest and fiscal charges	1,197	
Total expenditures	4,496,008	349,205
Excess of revenues over (under) expenditures	367,394	29,797
Other financing sources (uses):		
Operating transfers in		17,101
Operating transfers out	(24,101)	
Total other financing sources (uses)	(24,101)	17,101
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	343,293	46,898
Fund balance, July 1	1,997,416	241,589
Fund balance, June 30	\$2,340,709	\$288,487

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$127,205	\$41,029		\$1,477,377
	153,106	\$550	316,849
		445	112,561
15,375	6,954,549		10,437,281
			190,595
<u>142,580</u>	<u>7,148,684</u>	<u>995</u>	<u>12,534,663</u>
			2,257,482
			632,017
			102,083
			2,168
			129,455
	60,764		344,524
			28,700
3,652	5,218		484,284
			92,831
	63,837		499,872
			239,080
			7,415
		2,742	10,031
			118,440
	4,938,785		4,962,358
50,000	15,536		73,810
71,371	4,464		77,032
<u>125,023</u>	<u>5,088,604</u>	<u>2,742</u>	<u>10,061,582</u>
<u>17,557</u>	<u>2,060,080</u>	<u>(1,747)</u>	<u>2,473,081</u>
			17,101
			(24,101)
			(7,000)
17,557	2,060,080	(1,747)	2,466,081
64,717	2,093,410	14,965	4,412,097
<u>\$82,274</u>	<u>\$4,153,490</u>	<u>\$13,218</u>	<u>\$6,878,178</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,2000**

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
From local sources:			
Taxes	\$1,367,920	\$1,334,555	(\$33,365)
Earnings on investments	143,000	153,251	10,251
Other local revenues	25,200	32,459	7,259
Intergovernmental - State	3,372,107	3,383,896	11,789
Intergovernmental - Federal			
Total revenues	<u>4,908,227</u>	<u>4,904,161</u>	<u>(4,066)</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,254,694	2,178,692	76,002
Special	469,891	468,900	991
Vocational	104,563	101,627	2,936
Support services:			
Pupil	122,380	121,656	724
Instructional staff	239,966	238,115	1,851
Board of Education	92,950	29,662	63,288
Administration	462,134	457,719	4,415
Fiscal	123,129	91,459	31,670
Operations and maintenance	679,800	656,701	23,099
Pupil transportation	255,389	235,164	20,225
Central	5,525	2,600	2,925
Community services	52	51	1
Extracurricular activities	78,084	77,762	322
Facilities services	330,712	131,410	199,302
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>5,219,269</u>	<u>4,791,518</u>	<u>427,751</u>
Excess of revenues over (under) expenditures	<u>(311,042)</u>	<u>112,643</u>	<u>423,685</u>
Other financing sources (uses):			
Operating transfers in	19,241	18,378	(863)
Operating transfers (out)	(290,846)	(42,479)	248,367
Advances in		12,953	12,953
Advances (out)			
Accrued interest on bonds			
Total other financing sources (uses)	<u>(271,605)</u>	<u>(11,148)</u>	<u>260,457</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(582,647)</u>	<u>101,495</u>	<u>684,142</u>
Fund balances, July 1	2,050,844	2,050,844	
Prior year encumbrances appropriated	97,017	97,017	
Fund balances, June 30	<u>\$1,565,214</u>	<u>\$2,249,356</u>	<u>\$684,142</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$16,706	\$16,923	\$217	\$129,375	\$127,941	(\$1,434)
2,569	2,691	122			
84,610	84,884	274			
96,793	84,211	(12,582)	13,761	15,375	1,614
119,754	118,970	(784)			
<u>320,432</u>	<u>307,679</u>	<u>(12,753)</u>	<u>143,136</u>	<u>143,316</u>	<u>180</u>
95,657	60,761	34,896			
106,136	102,541	3,595			
13,237		13,237			
7,980	6,751	1,229			
35,577	35,471	106			
17,478	16,995	483	3,653	3,652	1
518	518				
1,200	1,180	20			
5,522	5,387	135			
7,696	7,181	515			
49,472	43,330	6,142			
			50,000	50,000	
			71,700	71,371	329
<u>340,473</u>	<u>280,115</u>	<u>60,358</u>	<u>125,353</u>	<u>125,023</u>	<u>330</u>
<u>(20,041)</u>	<u>27,564</u>	<u>47,605</u>	<u>17,783</u>	<u>18,293</u>	<u>510</u>
17,001	17,101	100			
			9,411	9,411	
<u>17,001</u>	<u>17,101</u>	<u>100</u>	<u>9,411</u>	<u>9,411</u>	
(3,040)	44,665	47,705	27,194	27,704	510
227,355	227,355		55,986	55,986	
7,457	7,457				
<u>\$231,772</u>	<u>\$279,477</u>	<u>\$47,705</u>	<u>\$83,180</u>	<u>\$83,690</u>	<u>\$510</u>

(Continued)

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,2000
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget Revised	Actual	
Revenues:			
From local sources:			
Taxes	\$50,663	\$41,808	(\$8,855)
Earnings on investments	157,700	153,106	(4,594)
Other local revenues			
Intergovernmental - State	6,935,324	6,954,549	19,225
Intergovernmental - Federal			
Total revenues	<u>7,143,687</u>	<u>7,149,463</u>	<u>5,776</u>
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Support services:			
Pupil			
Instructional staff	102,288	81,579	20,709
Board of Education			
Administration	5,218	5,218	
Fiscal			
Operations and maintenance	97,016	79,452	17,564
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities services	7,352,883	6,872,787	480,096
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>7,557,405</u>	<u>7,039,036</u>	<u>518,369</u>
Excess of revenues over (under) expenditures	<u>(413,718)</u>	<u>110,427</u>	<u>524,145</u>
Other financing sources (uses):			
Operating transfers in			
Operating transfers (out)			
Advances in			
Advances (out)	(12,953)	(12,953)	
Accrued interest on bonds			
Total other financing sources (uses)	<u>(12,953)</u>	<u>(12,953)</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(426,671)	97,474	524,145
Fund balances, July 1	1,764,141	1,764,141	
Prior year encumbrances appropriated	398,451	398,451	
Fund balances, June 30	<u>\$1,735,921</u>	<u>\$2,260,066</u>	<u>\$524,145</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Total (Memorandum only)

Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$1,564,664	\$1,521,227	(\$43,437)
303,269	309,048	5,779
109,810	117,343	7,533
10,417,985	10,438,031	20,046
119,754	118,970	(784)
<u>12,515,482</u>	<u>12,504,619</u>	<u>(10,863)</u>
2,350,351	2,239,453	110,898
576,027	571,441	4,586
117,800	101,627	16,173
130,360	128,407	1,953
377,831	355,165	22,666
92,950	29,662	63,288
488,483	483,584	4,899
123,647	91,977	31,670
778,016	737,333	40,683
255,389	235,164	20,225
11,047	7,987	3,060
7,748	7,232	516
127,556	121,092	6,464
7,683,595	7,004,197	679,398
50,000	50,000	
71,700	71,371	329
<u>13,242,500</u>	<u>12,235,692</u>	<u>1,006,808</u>
<u>(727,018)</u>	<u>268,927</u>	<u>995,945</u>
36,242	35,479	(763)
(290,846)	(42,479)	248,367
(12,953)	12,953	12,953
9,411	(12,953)	
<u>(258,146)</u>	<u>2,411</u>	<u>260,557</u>
(985,164)	271,338	1,256,502
4,098,326	4,098,326	
502,925	502,925	
<u>\$3,616,087</u>	<u>\$4,872,589</u>	<u>\$1,256,502</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Tuition and fees	\$24,280			\$24,280
Sales/charges for services	213,663			213,663
Investment earnings			\$1,585	1,585
Gifts and donations			1,666	1,666
Other operating revenues	643			643
	<u>238,586</u>		<u>3,251</u>	<u>241,837</u>
Total operating revenues				
Operating expenses:				
Personal services	157,047	\$4,507		161,554
Contract services	8,658			8,658
Materials and supplies	148,392			148,392
Depreciation	300			300
Other	1,258		1,627	2,885
Claims expense		10,041		10,041
	<u>315,655</u>	<u>14,548</u>	<u>1,627</u>	<u>331,830</u>
Total operating expenses				
Operating income (loss)	<u>(77,069)</u>	<u>(14,548)</u>	<u>1,624</u>	<u>(89,993)</u>
Nonoperating revenues and expenses:				
Operating grants	52,705			52,705
Federal commodities	14,384			14,384
Interest revenue	509			509
Property tax	5,534			5,534
Other nonoperating expenses	<u>(1,046)</u>			<u>(1,046)</u>
Total nonoperating revenues	<u>72,086</u>			<u>72,086</u>
Net income (loss) before operating transfers	(4,983)	(14,548)	1,624	(17,907)
Operating transfers in	<u>7,000</u>			<u>7,000</u>
Net income (loss)	2,017	(14,548)	1,624	(10,907)
Retained earnings July 1	<u>9,558</u>	<u>19,403</u>	<u>35,082</u>	<u>64,043</u>
Retained earnings June 30	<u>\$11,575</u>	<u>\$4,855</u>	<u>\$36,706</u>	<u>\$53,136</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from tuition and fees	\$24,280			\$24,280
Cash received from sales/service charges	213,958			213,958
Cash received from gifts and donations			\$1,666	1,666
Cash received from other operations	643			643
Cash payments for personal services	(155,827)	(\$4,509)		(160,336)
Cash payments for contract services	(9,288)			(9,288)
Cash payments for supplies and materials	(132,823)			(132,823)
Cash payments for claims expenses		(10,750)		(10,750)
Cash payments for other expenses	(1,258)		(1,627)	(2,885)
Net cash provided (used) by operating activities	<u>(60,315)</u>	<u>(15,259)</u>	<u>39</u>	<u>(75,535)</u>
Cash flows from noncapital financing activities:				
Cash received from operating grants	53,302			53,302
Cash received from property and other local taxes	5,661			5,661
Cash received from transfers in	7,000			7,000
Net cash provided by noncapital financing activities	<u>65,963</u>			<u>65,963</u>
Cash flows from investing activities:				
Purchase of investments			(2,000)	(2,000)
Interest received	509		1,585	2,094
Net cash provided (used) by investing activities	<u>509</u>		<u>(415)</u>	<u>94</u>
Net increase (decrease) in cash and cash equivalents	6,157	(15,259)	(376)	(9,478)
Cash and cash equivalents at beginning of year	<u>25,228</u>	<u>23,015</u>	<u>2,582</u>	<u>50,825</u>
Cash and cash equivalents at end of year	<u>\$31,385</u>	<u>\$7,756</u>	<u>\$2,206</u>	<u>41,347</u>

(Continued)

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$77,069)	(\$14,548)	\$1,624	(89,993)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	300			300
Federal donated commodities	14,384			14,384
Interest reported as operating income			(1,585)	(1,585)
Changes in assets and liabilities:				
Decrease in supplies inventory	559			559
Decrease in accounts receivable	295			295
Increase in accounts payable	577			577
Increase in accrued wages & benefits	1,046	1		1,047
Increase in compensated absences payable	191			191
Decrease in pension obligation payable	(17)			(17)
Decrease in claims payable		(712)		(712)
Decrease in deferred revenue	(581)			(581)
Net cash provided (used) by operating activities	<u>(\$60,315)</u>	<u>(\$15,259)</u>	<u>\$39</u>	<u>(\$75,535)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Continental Local School District (the District) is located in Putnam County, including the Village of Continental and all or portions of Greensburg, Jackson, Monroe, Palmer, and Perry Townships, and the Villages of Cloverdale and Dupont. The District serves an area of approximately 74 square miles.

The District was organized in 1928, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 1 elementary school and 1 comprehensive high school. The District employs 36 non-certified and 63 certified (including administrative) full-time and part-time employees to provide services to approximately 856 students in grades K through 12 and various community groups, which ranks it 537 out of approximately 612 school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity," effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Van Wert and Wood counties, and the cities of St. Marys and Wapakoneta. 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 school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Vantage Joint Vocational School

The Vantage Joint Vocational School (the JVS), is a distinct political subdivision of the State of Ohio established under Section 3311.18. The JVS operates under the direction of a Board of Education consisting of 11 members appointed from participating school districts in Van Wert, Paulding, Mercer and (a portion of) Putnam Counties. The JVS accepts students from the District on a non-tuition basis; however, as a separate legal entity, the JVS is not considered to be part of the District.

The District also participates in two insurance group purchasing pools, described in Note 12.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the District for any purpose provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Proprietary Funds

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The Internal Service Fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Non-expendable Trust and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental funds, while Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary funds. Agency funds are custodial in nature, and results of operations are not measured. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds and Nonexpendable Trust Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and Expendable Trust funds are accounted for using a current

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds and the Nonexpendable Trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000 and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds and Nonexpendable Trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 in the following amounts:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	Increase	(Decrease)
General	\$1,019,306	
Special Revenue	44,753	
Debt Service	53	
Capital Projects	5,174,041	
Enterprise	41,991	
Internal Service		\$(4,788)
Totals	\$6,280,144	\$(4,788)

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 13.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During fiscal 2000, investments were limited to certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio), and no load mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and money market funds are reported at cost.

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 share price which is the price the investment could be sold for on June 30, 2000.

In accordance with Ohio statute, the Board, by resolution, has specified which funds shall receive an allocation of interest earnings. During fiscal 2000, the following fund was credited with more interest revenue than would have been received based upon its share of the District's investments:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Investments</u>	<u>Interest Assigned from Other Funds</u>
General	<u>\$160,713</u>	<u>\$116,773</u>	<u>\$43,940</u>

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Inventory

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expenses when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. During fiscal year 2000 the District revised its policy and is currently not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Special Revenue Funds

- State Property Tax Relief

Debt Service Funds

- State Property Tax Relief

Capital Projects Funds

- State Property Tax Relief

Enterprise Funds

- State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development Block Grant
- Early Childhood Education
- Management Information Systems
- Public School Preschool
- Title VI-B
- Title I
- Title VI
- Instructional Materials Subsidy
- Eisenhower Grant
- Drug-Free Schools
- Ohio Reads Grant

Capital Project Funds

- School Net
- Emergency School Building Repair Grant
- Ohio School Facilities

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Reimbursable Grants

General Fund

Driver Education

Proprietary

National School Lunch Program

National School Milk Program

Grants and entitlements amounted to over 83% of the District's operating revenue during the 2000 fiscal year.

J. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

K. Statutory Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. The amount for fiscal year 2000 was 3% of previous year qualifying general fund revenue. Amounts not spent by year-end or

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The School District is also required to set aside money for budget stabilization, which for fiscal year 2000 was 1% of previous year qualifying general fund revenue, if the growth in a school district's qualifying general fund revenue for fiscal year 1998 to fiscal year 1999 is 3% or more. The School District did not have a growth in qualifying revenue of 3% or more.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999			\$49,031	\$49,031
Current Year Set-aside Requirement	102,222	102,222		204,444
Current Year Offsets		(58,732)		(58,732)
Qualifying Disbursements	<u>(100,309)</u>	<u>(25,453)</u>		<u>(125,762)</u>
Set-aside Cash Balance as of June 30, 2000	<u>\$1,913</u>	<u>\$18,037</u>	<u>\$49,031</u>	<u>\$68,981</u>

L. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the termination method; i.e., an accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

M. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

N. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, tax revenue unavailable for appropriation, budget stabilization, instructional materials and capital maintenance. In addition, although the Non-expendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The District has established designations of fund balance for amounts set aside for budget stabilization, instructional materials and capital improvements, in excess of the amounts required by Ohio statute. The unreserved/undesignated portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

O. Statement of Cash Flows

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Discounts, Premiums and Issuance Costs

For Governmental Fund Types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

R. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish reserve balance accounts. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. A reservation of fund equity has also been recorded. See Note 2.K. for detail of statutory reserves.

S. Estimates

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

T. Memorandum Only - Total Columns

Total columns on the General-Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Management Information Systems	\$ (16)
Ohio Reads	(17)
<u>Enterprise Fund</u>	
Food Service	(729)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

B. Compliance

Although there were no funds with deficit cash balances at year end there were several funds with deficit cash balances throughout the year, ranging in amounts from \$17 to \$78,941.

There were several accounts at May 31, 2000 that had expenditures in excess of appropriations, in amounts ranging from \$57 to \$8,120,504.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to 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, the 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the District had \$50 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

Cash with Fiscal Agent: At year end, \$5,548 was on deposit with the District's fiscal agent for pass-through grants, is not included in the total amount of deposits reported below and this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

Cash with Escrow Agent: At year end, \$84,794 was on deposit in the District's escrow account, is not included in the total amount of deposits reported below and this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year-end the carrying amount of the District's deposits was \$860,129 and the bank balance was \$920,898. Of the bank balance:

1. \$200,885 was covered by federal deposit insurance; and
2. \$720,013 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities which exist in physical or book entry form.

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

	Category of Risk 3	Fair Value
No load Mutual Fund	\$52,365	\$ 52,365
Not Subject to Categorization: Investment in STAR Ohio	_____	7,301,121
Total Investments	<u>\$52,365</u>	<u>\$7,353,486</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 8,259,507	\$ 44,500
Cash on Hand	(50)	
Cash with Fiscal Agent	(5,548)	
Cash with Escrow Agent	(84,794)	
Investments:		
Certificates of Deposit	44,500	(44,500)
No load Mutual Fund	(52,365)	52,365
STAR Ohio	(7,301,121)	7,301,121
GASB Statement No. 3	<u>\$ 860,129</u>	<u>\$7,353,486</u>

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2000:

Fund	Transfers In	Transfers (Out)
General Fund		\$(24,101)
<u>Special Revenue Funds</u>		
Other Grant	\$17,101	
<u>Enterprise Funds</u>		
Recreation	7,000	_____
Total	<u>\$24,101</u>	<u>\$(24,101)</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$28,188,780	83.75	\$34,987,440	86.58
Public Utility Personal Property	3,200,470	9.51	3,175,730	7.86
Tangible Personal Property	<u>2,269,486</u>	<u>6.74</u>	<u>2,247,465</u>	<u>5.56</u>
Total Assessed Value	<u>\$33,658,736</u>	<u>100.00</u>	<u>\$40,410,635</u>	<u>100.00</u>

Tax rate per \$1,000 of assessed valuation:

Operations	\$31.75	\$31.75
Debt Service	3.78	3.78
Permanent Improvements	1.40	1.40

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Putnam County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$43,087 in the General fund, \$7,995 in the Debt Service fund \$2,358 in the Permanent Improvements fund, \$1,057 in the Maintenance fund, and \$299 in the Recreation Enterprise fund.

NOTE 7 - INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective January 1, 1991, 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund, and totaled \$527,094 for fiscal 2000, which includes a receivable of \$162,967 at June 30, 2000.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the receivables follows:

	Amounts
<u>General Fund</u>	
Taxes - Current and Delinquent	\$1,038,958
Accrued Interest	15,844
 <u>Special Revenue Funds</u>	
Taxes - Current and Delinquent	20,359
Accounts	11,357
Due From Other Governments	4,658
 <u>Debt Service Funds</u>	
Taxes - Current and Delinquent	153,914
 <u>Capital Projects Funds</u>	
Taxes - Current and Delinquent	46,696
 <u>Enterprise Funds</u>	
Taxes-Current and Delinquent	6,234
Due From Other Governments	6,240

NOTE 9 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2000</u>
Land/Improvements	\$66,124			\$66,124
Buildings/Improvements	2,425,447		\$(1,460)	2,423,987
Furniture/Equipment	1,162,096	\$111,270	(345,126)	928,240
Vehicles	555,720	64,227	(20,453)	599,494
Construction In Progress	288,094	4,061,583		4,349,677
Total	<u>\$4,497,481</u>	<u>\$4,237,080</u>	<u>\$(367,039)</u>	<u>\$8,367,522</u>

The construction in progress represents an addition to the elementary school and renovations to the high school, which are expected to be completed during fiscal year 2001.

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$96,454
Less: Accumulated Depreciation	<u>(81,873)</u>
Net Fixed Assets	<u>\$14,581</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District has entered into capitalized leases for the acquisition of computers. The terms of each lease provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Similar Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$127,275, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$23,810. This amount is reflected as debt service principal retirement in the General fund and the Capital Projects fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2000:

<u>General Long-Term Obligations</u>	
<u>Year Ending</u> <u>June 30</u>	<u>Copiers</u>
2001	\$24,795
2002	<u>20,000</u>
Total Future Minimum Lease Payments	44,795
Less: Amount Representing Interest	<u>(5,099)</u>
Present Value of Future Minimum Lease Payment	<u>\$39,696</u>

The District does not have capitalized lease obligations after fiscal year 2002.

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

During the 1999 fiscal year, the District issued a general obligation bond to provide funds for the acquisition and construction of equipment and facilities. This bond is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to this bond are recorded as an expenditure in the Debt Service fund. The source of payment is derived from a current 3.78 mill bonded debt tax levy.

This general obligation bond represents the amount of the construction project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC), as further detailed in Note 17.C. OSFC will make quarterly disbursements to the District as the project is completed.

In conjunction with the 3.78 mills which support the bond issue, the District also passed in fiscal 1999 a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the Special Revenue funds.

- A. The following is a description of the Continental Local School District bond outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/99</u>	<u>Retired During Fiscal 2000</u>	<u>Balance 06/30/00</u>
Additions and Renovations	5.39%	03/01/99	12/01/21	<u>\$1,644,729</u>	<u>\$(50,000)</u>	<u>\$1,594,729</u>

- B. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bond.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 50,000	\$ 70,048	\$ 120,048
2002	55,000	68,208	123,208
2003	55,000	66,186	121,186
2004	60,000	63,985	123,985
2005	60,000	61,615	121,615
2006-2010	335,000	268,089	603,089
2011-2015	279,729	361,525	641,254
2016-2020	480,000	117,000	597,000
2021-2022	<u>220,000</u>	<u>11,000</u>	<u>231,000</u>
Total	<u>\$1,594,729</u>	<u>\$1,087,656</u>	<u>\$2,682,385</u>

- C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2000</u>
Compensated Absences	\$331,200	\$16,492	\$(12,319)	\$335,373
General Obligation Bond	1,644,729		(50,000)	1,594,729
Pension Obligation	30,595	30,289	(30,595)	30,289
Capital Leases	63,506		(23,810)	39,696
Total	<u>\$2,070,030</u>	<u>\$46,781</u>	<u>\$(116,724)</u>	<u>\$2,000,087</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2000 are a voted debt margin of \$2,124,502 (including available funds of \$82,274) and an unvoted debt margin of \$40,411.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2000, the School District contracted with Grange Mutual Casualty Company for property insurance and fleet insurance and with Wausau Business Insurance Company for liability insurance.

Coverages provided by the Districts insurance carriers are as follows:

	<u>Deductible</u>	<u>Coverage</u>
Building and Contents- Replacement cost	\$1,000	\$13,536,623
Inland Marine Coverage	100	51,624
Automobile Liability		1,000,000
Uninsured Motorists		1,000,000
Medical Payments - per person		3,000
General Liability:		
Per occurrence		2,000,000
Total per year		5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal 1999.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the "Plan"), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
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agreement. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools 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 School District participates in the Putnam County Schools Insurance Group (PCSIG), an insurance purchasing pool consisting of nine local school districts and an educational service center. The experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the PCSIG. The School District pays monthly premiums to the Medical Mutual of Ohio for employee medical benefits.

The District provides prescription drug insurance benefits to employees through a self-insurance program. The premiums and related expenses are accounted for in the Health Insurance Internal Service Fund. All claims are paid by the District with the request for reimbursement submitted by the employee on behalf of the District. The District has no stop loss insurance and has not set a maximum amount payable per beneficiary. However, the District's liability is limited to the employees' unpaid deductible and maximum out of pocket expense.

The claims liability of \$2,896 reported in the fund at June 30, 2000, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, but reported. Changes in the fund's claims liability for the current and past four fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
1996		\$39,159	\$39,159	
1997		48,657	48,657	
1998		46,783	46,783	
1999		28,504	24,896	\$3,608
2000	\$3,608	10,038	10,750	2,896

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Recreation. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Recreation</u>	<u>Total</u>
Operating Revenue	\$196,956	\$24,280	\$ 17,350	\$238,586
Depreciation Expense	300			300
Operating (Loss)	(60,910)	(703)	(15,456)	(77,069)

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Non-operating revenue:				
Operating Grants	52,091		614	52,705
Donated Federal Commodities	14,384			14,384
Tax Revenue			5,534	5,534
Operating Transfers In			7,000	7,000
Net Income (Loss)	5,028	(703)	(2,308)	2,017
Net Working Capital	(650)	9,793	(1,323)	7,820
Total Assets	40,056	11,139	10,579	61,774
Long-Term Liabilities				
Payable from				
Fund Revenues	10,826			10,826
Total Fund Equity	(729)	9,793	2,511	11,575
Encumbrances at 06/30/00	50	1,400	123	1,573

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$102,990, \$74,113, and \$69,351, respectively; 60 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$40,746, which presents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$367,493, \$339,237, and \$298,968, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$59,248, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$209,996 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$66,246.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

The surcharge, added to the unallocated portion of 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$101,495	\$44,665	\$27,704	\$97,474
Net Adjustment for Revenue Accruals	(40,759)	71,323	(736)	(779)
Net Adjustment for Expenditure Accruals	(50,279)	(70,236)		(916,731)
Net Adjustment for Other Financing Sources/(Uses)	(12,953)		(9,411)	12,953
Adjustment for Encumbrances	345,789	1,146		2,867,163
GAAP Basis	<u>\$343,293</u>	<u>\$ 46,898</u>	<u>\$17,557</u>	<u>\$ 2,060,080</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

As of the balance sheet date, the District is involved in no litigation either as a plaintiff or defendant.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$3,247,096 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$7,603,657 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTE 18- OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2000, the District had the following contractual commitments in the Capital Project Fund for the Classroom Facilities Project:

<u>Purpose</u>	<u>Contractor</u>	<u>Amount</u>
Elementary School Addition	Fanning/Howey Associates	\$ 435,308
	Peterson Construction	3,371,575
	Woolace Electric	684,123
	Fitzenrider, Inc.	1,031,814
	Ohio Plumbing	277,060
	Vulcan	75,295
	Custom Fabricators	156,161
	Bushong Restaurant	244,914
	Sanyus, Inc.	740,000
High School Renovation	Fanning/Howey Associates	441,912
	Mel Lanzer Co.	2,300,010
	Frost Plumbing	1,614,730
	Woolace Electric	859,250
	Armor Fire Protection	147,680
	Ward Construction	292,000
Loose Furnishings/ Technical Equipment	Esquire Data	371,666
	Continental Office Prod.	245,432
	Vaughn Industries	354,237
Miscellaneous	Turner Construction	700,000
	P S I	26,988
	Sarka Electric	20,000
	O P I	180,000
	Wray's	36,000
	Grant Insurance	<u>13,300</u>
Total contractual commitments		14,619,455
Less amount paid as of June 30, 2000		<u>4,354,566</u>
Total outstanding contractual commitments as of June 30, 2000		<u>\$10,264,889</u>



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Continental Local School District
Putnam County
5211 State Route 634
P.O. Box 479
Continental, Ohio 45831-0479

To the Board of Education:

We have audited the financial statements of Continental Local School District, Putnam County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10269-001 and 2000-10269-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 19, 2000.

Continental Local School District
Putnam County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 19, 2000

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000
SCHEDULE OF FINDINGS**

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

FINDING NUMBER 2000-10269-001

Noncompliance Citation

Ohio Revised Code § 5705.10 states money paid into any fund shall be used only for the purposes for which the fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. Although there were no funds with deficit balances at fiscal year end, the following funds were found to have deficit balances sometime during fiscal year 2000 by a maximum of amounts listed:

	Fund	Maximum deficit at anytime throughout the year
6	Food Service Fund	\$589
7	Special Trust-Flowers Fund	17
9	Uniform School Supplies Fund	4,003
10	Ohio School Facilities Fund	78,941
13	Swimming Pool Fund	6,743
14	Rotary Fund	816
200-9130	High School Music Fund	376
200-9440	Band Fund	666
432	EMIS Fund	1,660
497	Emergency Building Repair Fund	460
572-9099	Title I, FY 1999 Fund	2,563
572-9200	Title I, FY 2000 Fund	13,645
599-9020	Title VI-R, FY 2000 Fund	865
599-9300	Virtual Middle School Grant Fund	149

We recommend the District make transfers or advances from the General Fund as necessary to avoid deficit balances.

FINDING NUMBER 2000-10269-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. At May 31, 2000, the following line items had expenditures which exceeded the amounts appropriated at that time:

FINDING NUMBER 2000-10269-002
(Continued)

<u>Fund-Function-Object</u>	<u>Excess of expenditures plus encumbrances over appropriations</u>
001-1100-200	\$11,919
001-1200-100	14,574
001-1200-200	213
001-1200-400	2,468
001-1200-800	43,023
001-1300-200	1,353
001-2100-100	12,495
001-2100-200	4,651
001-2100-500	2,567
001-2200-100	5,874
001-2200-500	3,132
001-2300-200	253
001-2300-400	1,135
001-2300-500	737
001-2400-200	5,939
001-2400-500	1,527
001-2400-700	10,413
001-2400-800	449
001-2500-700	67
001-2800-100	331
001-2800-500	5,628
006-3100-100	11,891
006-3100-500	8,574
006-3100-800	143
010-2700-400-9100	38,805
010-5300-400-9100	483,184
010-5300-600-9100	8,120,504
013-3200-100	1,789
013-3200-500	6,650
013-3200-800	57
018-2400-500-9410	448
018-2400-800-9410	180
018-2400-500-9420	1,253
018-2400-800-9420	197
022-3200-800	675
034-2400-800	239
300-4500-100	602
300-4500-400	4,361
416-2900-400	414
432-2400-100-9092	1,528
447-1100-100	496
459-2200-400	2,232
572-1200-200-9200	2,839
573-2200-100-9099	876
599-1100-500-9300	339
599-1100-600-9300	4,569
599-1100-500-9900	99

FINDING NUMBER 2000-10269-002
(Continued)

We recommend that the District periodically review appropriations to ensure they are sufficient to support planned expenditures, and make any amendments necessary to ensure expenditures do not exceed appropriations.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10269-001	ORC § 5705.10 deficit fund cash.	No	Finding has not been corrected and is repeated in this report.



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CONTINENTAL LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2001**