



Dave Yost • Auditor of State

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Continental Local School District
Putnam County
5211 State Route 634
Continental, Ohio 45831-9155

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Continental Local School District, Putnam County, Ohio (the District), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 3 of the financial statements, the District prepared these financial statements using the cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material. In addition, during fiscal year 2013, the District failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* as mandated by Auditor of State Bulletin 2011-004 for regulatory financial statements.

Adverse Opinion

In our opinion, because of the matters described in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Continental Local School District as of and for the years ended June 30, 2013 and 2012 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The District also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2012 presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2012, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Receipts and Expenditures Schedule.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2014

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**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$1,645,937	\$19,027	\$126,793	\$44,031	\$1,835,788
Intergovernmental	3,548,387	306,744	20,882	9,106	3,885,119
Tuition	283,694				283,694
Earnings on investments	10,836	180			11,016
Transportation Fees	10,607				10,607
Extracurricular Activities		90,862			90,862
Classroom Materials and Fees	21,673				21,673
Donations		44,689			44,689
Miscellaneous	24,734				24,734
Total cash receipts	<u>5,545,868</u>	<u>461,502</u>	<u>147,675</u>	<u>53,137</u>	<u>6,208,182</u>
Cash disbursements:					
Instruction:					
Regular	2,783,777	88,385			2,872,162
Special	768,180	218,069			986,249
Vocational Education	132,232				132,232
Supporting Services:					
Pupils	183,597	30,136			213,733
Instructional Staff	133,917	12,077			145,994
Board of Education	35,026				35,026
Administration	415,593	32,140			447,733
Fiscal Services	145,167	603	3,995	1,400	151,165
Operation and Maintenance of Plant	608,076	30,085			638,161
Pupil Transportation	244,994			81,633	326,627
Central	13,876				13,876
Non-Instructional Services	418	7,145			7,563
Extracurricular Activities	118,640	73,389			192,029
Facilities Acquisition and Construction	242,329				242,329
Debt Service:					
Principal Retirement	22,633		30,997		53,630
Interest and Fiscal Charges	4,163		101,063		105,226
Total cash disbursements	<u>5,852,618</u>	<u>492,029</u>	<u>136,055</u>	<u>83,033</u>	<u>6,563,735</u>
Total cash receipts over/(under) cash disbursements	<u>(306,750)</u>	<u>(30,527)</u>	<u>11,620</u>	<u>(29,896)</u>	<u>(355,553)</u>
Other financing receipts/disbursements:					
Transfers-Out	(39,041)				(39,041)
Proceeds from Insurance Settlement	242,343				242,343
Sale of Fixed Assets	4,500				4,500
Advances-In	15,971				15,971
Advances-Out	(9,460)				(9,460)
Total other financing receipts/(disbursements)	<u>214,313</u>				<u>214,313</u>
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	(92,437)	(30,527)	11,620	(29,896)	(141,240)
Fund cash balances, July 1	3,941,365	504,463	140,354	143,640	4,729,822
Fund cash balances, June 30	<u>\$3,848,928</u>	<u>\$473,936</u>	<u>\$151,974</u>	<u>\$113,744</u>	<u>\$4,588,582</u>
Reserves for encumbrances, June 30	<u>\$158,250</u>				<u>\$158,250</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Food Services	\$108,722		\$108,722
Extracurricular Activities		\$56,688	56,688
Miscellaneous - Donations		2,682	2,682
Total operating cash receipts	<u>108,722</u>	<u>59,370</u>	<u>168,092</u>
Operating cash disbursements:			
Personal Services	95,801	2,180	97,981
Employees Retirement and Insurance	50,419	324	50,743
Purchased Services	2,038		2,038
Supplies and Materials	109,874		109,874
Other Operating Expenses	279	51,485	51,764
Total operating cash disbursements	<u>258,411</u>	<u>53,989</u>	<u>312,400</u>
Operating income (loss)	<u>(149,689)</u>	<u>5,381</u>	<u>(144,308)</u>
Non-operating cash receipts:			
Intergovernmental receipts	109,864		109,864
Proceeds from Insurance Settlement	1,722		1,722
Taxes	7,422		7,422
Miscellaneous		200	200
Total non-operating cash receipts	<u>119,008</u>	<u>200</u>	<u>119,208</u>
Excess of cash receipts and other non operating receipts over/ (under) cash disbursements before interfund transfers and advances	(30,681)	5,581	(25,100)
Transfers-In	39,041		39,041
Advances-In	7,178	2,282	9,460
Advances-Out	(\$15,538)	(433)	(15,971)
Net cash receipts over cash disbursements		7,430	7,430
Fund cash balances, July 1		33,619	33,619
Fund cash balances, June 30		<u>\$41,049</u>	<u>\$41,049</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$1,672,229	\$18,778	\$117,577	\$43,422	\$1,852,006
Intergovernmental	3,525,886	502,642	19,510	10,413	4,058,451
Tuition	242,906				242,906
Earnings on investments	11,668	253			11,921
Transportation Fees	9,018				9,018
Extracurricular Activities		85,416			85,416
Classroom Materials and Fees	14,979				14,979
Donations	50	52,532			52,582
Miscellaneous	23,260				23,260
Total cash receipts	<u>5,499,996</u>	<u>659,621</u>	<u>137,087</u>	<u>53,835</u>	<u>6,350,539</u>
Cash disbursements:					
Instruction:					
Regular	2,676,624	190,404			2,867,028
Special	755,222	238,634			993,856
Vocational Education	141,475				141,475
Supporting Services:					
Pupils	132,290	36,167			168,457
Instructional Staff	143,257	13,498			156,755
Board of Education	25,662				25,662
Administration	451,304	20,250			471,554
Fiscal Services	187,459	619	3,837	1,438	193,353
Operation and Maintenance of Plant	603,840	98,277		12,371	714,488
Pupil Transportation	282,903	119			283,022
Central	16,827				16,827
Non-Instructional Services		9,586			9,586
Extracurricular Activities	116,363	76,139			192,502
Debt Service:					
Principal Retirement			90,000		90,000
Interest and Fiscal Charges			22,610		22,610
Total cash disbursements	<u>5,533,226</u>	<u>683,693</u>	<u>116,447</u>	<u>13,809</u>	<u>6,347,175</u>
Total cash receipts over/(under) cash disbursements	<u>(33,230)</u>	<u>(24,072)</u>	<u>20,640</u>	<u>40,026</u>	<u>3,364</u>
Other financing receipts/disbursements:					
Transfers-In		50,000			50,000
Transfers-Out	(61,010)				(61,010)
Sale of Fixed Assets	9,900				9,900
Advances-In	20,929				20,929
Advances-Out	(14,841)				(14,841)
Refund of Prior Year Expenditures	50				50
Total other financing receipts/(disbursements)	<u>(44,972)</u>	<u>50,000</u>			<u>5,028</u>
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	<u>(78,202)</u>	<u>25,928</u>	<u>20,640</u>	<u>40,026</u>	<u>8,392</u>
Fund cash balances, July 1	<u>4,019,567</u>	<u>478,535</u>	<u>119,714</u>	<u>103,614</u>	<u>4,721,430</u>
Fund cash balances, June 30	<u>\$3,941,365</u>	<u>\$504,463</u>	<u>\$140,354</u>	<u>\$143,640</u>	<u>\$4,729,822</u>
Reserves for encumbrances, June 30	<u>\$1,644</u>	<u>\$2,886</u>		<u>\$81,433</u>	<u>\$85,963</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Food Services	\$97,438		\$97,438
Extracurricular Activities		\$55,034	55,034
Miscellaneous - Donations		2,827	2,827
Total operating cash receipts	<u>97,438</u>	<u>57,861</u>	<u>155,299</u>
Operating cash disbursements:			
Personal Services	83,759	1,044	84,803
Employees Retirement and Insurance	48,195	157	48,352
Purchased Services	1,504		1,504
Supplies and Materials	80,428		80,428
Other Operating Expenses	269	54,561	54,830
Total operating cash disbursements	<u>214,155</u>	<u>55,762</u>	<u>269,917</u>
Operating income (loss)	<u>(116,717)</u>	<u>2,099</u>	<u>(114,618)</u>
Non-operating cash receipts:			
Intergovernmental receipts	106,571		106,571
Taxes	6,856		6,856
Miscellaneous		200	200
Total non-operating cash receipts	<u>113,427</u>	<u>200</u>	<u>113,627</u>
Excess of cash receipts and other non operating receipts over/(under) cash disbursements before interfund transfers and advances	(3,290)	2,299	(991)
Transfers-In	11,010		11,010
Advances-In	12,854	1,987	14,841
Advances-Out	<u>(\$20,574)</u>	<u>(355)</u>	<u>(20,929)</u>
Net cash receipts over cash disbursements		3,931	3,931
Fund cash balances, July 1		<u>29,688</u>	<u>29,688</u>
Fund cash balances, June 30		<u>\$33,619</u>	<u>\$33,619</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

Continental Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and/or federal guidelines.

The District was established in 1928 through the consolidation of existing land areas and school districts. The District serves an area of approximately 74 square miles. It is located in Putnam County and includes the entire Village of Continental, and all or portions of Greensburg, Jackson, Monroe, Palmer and Perry Townships, and the Villages of Cloverdale and Dupont. The District employs 23 non-certified and 42 certified (including administrative) full-time and part-time employees to provide services to approximately 488 students in grades K through 12 and various community groups. The District currently operates 1 elementary school and 1 junior high/high school.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

For fiscal years 2013 and 2012 the District did not modify its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type classifications. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". 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.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

The District participates in four jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 8 and 15 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
State Support Team Region 1
Northwestern Ohio Educational Research Council, Inc.
Vantage Career Center

Public Entity Risk Pools:

Schools of Ohio Risk Sharing Authority
Putnam County School Insurance Group
Ohio School Boards Association Workers' Compensation Group Rating Program

B. Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

General Fund – The General Fund is the 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 according to the general laws of Ohio.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of general obligation long-term debt principal and interest.

Capital Projects Funds – The 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).

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

Enterprise Funds – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been 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.

FIDUCIARY FUND TYPES

Fiduciary 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. The District's fiduciary funds include agency funds.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is included in the cash balances reported by fund type.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2013 and 2012, the District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool,

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

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 2(a)7 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, 2013 and 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 was \$10,836, which included \$1,535 assigned from other District funds, and during fiscal year 2012 was \$11,668, which included \$1,840 assigned from other District funds, respectively.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

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M. Interfund Transactions

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

N. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

NOTE 3 – COMPLIANCE

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

NOTE 4 – DEPOSITS

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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,

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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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2013, \$711,972 of the District's bank balance of \$3,914,045 and at June 30, 2012, \$1,089,197 of the District's bank balance of \$4,023,876 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2013 and 2012, the District had investments with STAR Ohio with a carrying balance of \$760,858 and \$760,294, respectively.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2013 and June 30, 2012 follows:

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2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,217,819	\$5,808,682	\$590,863
Special Revenue	349,396	461,502	112,106
Debt Service	145,996	147,675	1,679
Capital Projects	50,242	53,137	2,895
Enterprise	273,969	273,949	(20)
Total	<u>\$6,037,422</u>	<u>\$6,744,945</u>	<u>\$707,523</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,244,589	\$6,059,369	\$185,220
Special Revenue	462,205	492,029	(29,824)
Debt Service	136,060	136,055	5
Capital Projects	166,433	83,033	83,400
Enterprise	273,950	273,949	1
Total	<u>\$7,283,237</u>	<u>\$7,044,435</u>	<u>\$238,802</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,429,187	\$5,530,875	\$101,688
Special Revenue	516,654	709,621	192,967
Debt Service	134,494	137,087	2,593
Capital Projects	50,027	53,835	3,808
Enterprise	235,425	234,729	(696)
Total	<u>\$6,365,787</u>	<u>\$6,666,147</u>	<u>\$300,360</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,984,947	\$5,610,721	\$374,226
Special Revenue	674,131	686,579	(12,448)
Debt Service	116,610	116,447	163
Capital Projects	95,500	95,242	258
Enterprise	234,730	234,729	1
Total	<u>\$7,105,918</u>	<u>\$6,743,718</u>	<u>\$362,200</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar years 2013 and 2012 represent the collection of calendar year 2012 and 2011 taxes. Real property taxes received in calendar years 2013 and 2012 were levied after April 1, 2012 and 2011, on the assessed values as of January 1, 2012 and 2011, respectively, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar years 2013 and 2012 represent the collection of calendar years 2012 and 2011 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2012 and 2011 became a lien on December 31, 2011 and 2010, were levied after April 1, 2012 and 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013 and 2012 are available to finance fiscal years 2013 and 2012 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$53,473,040	91.69%	\$53,491,090	91.43%
Industrial/Commercial	2,391,320	4.10%	2,412,020	4.12%
Public Utility Property	2,454,050	4.21%	2,601,520	4.45%
Total Assessed Value	<u>\$58,318,410</u>	<u>100.00%</u>	<u>\$58,504,630</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.65		\$35.65	

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**NOTES TO THE FINANCIAL STATEMENTS
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The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$44,444,300	90.19%	\$53,473,040	91.69%
Industrial/Commercial	2,497,210	5.07%	2,391,320	4.10%
Public Utility Property	2,334,810	4.74%	2,454,050	4.21%
Total Assessed Value	<u>\$49,276,320</u>	<u>100.00%</u>	<u>\$58,318,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.65		\$35.65	

NOTE 7 – INCOME TAXES

The District levies a voted tax of 1% for general operations on the income of residents and of estates. The tax was effective on 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 receipts are recorded in the General Fund.

NOTE 8 – RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 90 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

- General liability
- Commercial liability
- Employee Benefits Liability
- School Leaders Errors and Omissions
- Theft, Forgery, Employee Dishonesty
- Vehicle.

The District contributes to the funding, operating and maintaining of the SORSA joint self insurance pool. The District's contributions cover deductible losses, loss fund contribution, insurance costs, and administration cost.

The District paid \$53,697 in premiums to the pool for fiscal year 2013 coverage and the District paid \$47,185 in premiums to the pool for fiscal year 2012 coverage.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street
Columbus, Ohio 43235

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B. Putnam County School Insurance Group

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington Bank. The District converted its fully-insured medical insurance program to partial self insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claim review and processing. The District maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

C. Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Board Association's Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for processing, analysis and management of worker's 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 agreement. The GRP's business and affairs are conducted by a 25 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before

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retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal years ended June 30, 2013 and 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State.

Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, 2011, and 2010 were \$308,844, \$316,447, \$307,836, and \$297,640, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012, 2011 and 2010. Contributions to the DCP and CP for fiscal year 2013 were \$21,856 made by the District and \$15,611 made by plan members. Contributions to the DCP and CP for fiscal year 2012 were \$12,439.51 made by the District and \$8,885.37 made by plan members.

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal years 2013 and 2012, 13.1 percent and 12.70 percent, respectively, of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, 2011, and 2010 was \$84,414, \$81,910, \$79,968, and \$84,893, respectively; 47 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012, 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013 and 2012, all five members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

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NOTE 10 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, 2011 and 2010 was \$23,757, \$24,342, \$23,680, and \$22,895, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012, 2011 and 2010.

B. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2013 and 2012, 0.16 percent and 0.55 percent, respectively, of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$35,800.

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

The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, 2011 and 2010 were \$10,685, \$13,545, \$19,849, and \$13,116, respectively; 94 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2013 and 2012, this actuarially required allocation was 0.74 and 0.75 percent and of covered payroll. The District's contribution for Medicare Part B for the fiscal year ended June 30, 2013, 2012, 2011 and 2010 was \$4,787, \$4,856, \$5,164, and \$5,064, respectively; 47 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012, 2011 and 2010.

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NOTE 11 – DEBT

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Principal Outstanding 6/30/11	Reductions	Principal Outstanding 6/30/12	Amounts Due in One Year
<u>General Obligation Bonds:</u>				
General obligation bonds-2010	\$815,000	\$90,000	\$725,000	\$10,000
Capital appreciation bonds-1999	39,729		39,729	20,997
Capital appreciation bonds-2010	29,999		29,999	
Total General Obligation Bonds	\$884,728	\$90,000	\$794,728	\$30,997

The changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Reductions	Principal Outstanding 6/30/13	Amounts Due in One Year
<u>General Obligation Bonds:</u>				
General obligation bonds-2010	\$725,000	\$10,000	\$715,000	\$10,000
Capital appreciation bonds-1999	39,729	20,997	18,732	18,732
Capital appreciation bonds-2010	29,999		29,999	
Total General Obligation Bonds	\$794,728	\$30,997	\$763,731	\$28,732

1999 School Facilities Construction and Improvement Capital Appreciation Bonds – The Series 1999 school improvement bond issue is comprised of capital appreciation bonds, par value \$39,729. The capital appreciation bonds mature on December 1, 2012-2013, at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date.

2010 School Improvement Refunding Bonds of 1999 Bonds – Proceeds from the outstanding bonds were used for the purpose of refunding general obligation bonds, dated March 30, 1999, which were issued for the purpose of constructing and renovating school facilities. The bonds were issued on February 24, 2010. The bonds consisted of \$585,000 in current interest serial bonds and \$325,000 in term bonds and \$29,999, in capital appreciation bonds. This refunding was undertaken to reduce total debt service payments over 11 years by \$71,688 and resulted in an economic gain of \$72,333.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Fiscal Year	Principal Amount	Interest Rate
2017	\$100,000	2.7%
2018	100,000	3.0%
2019	100,000	3.2%
2020	100,000	3.4%

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The term bond which matures on December 1, 2014, has an interest rate of 2.0 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2015	\$115,000

The term bond which matures on December 1, 2021, has an interest rate of 3.6 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 98.579 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2022	\$210,000

The capital appreciation bonds were issued in the aggregate original principal amount of \$29,999 and mature on December 1, 2015, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Fiscal Year</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2016	\$29,999	\$95,000

At June 30, 2013 the total amount of these bonds including accretion was \$57,650. The bonds are being retired through the Bond Retirement Debt Service Fund.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2013 are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$10,000	\$21,860	\$31,860	\$18,732	\$81,268	\$100,000
2015	95,000	20,810	115,810			
2016		19,860	19,860			
2017	100,000	18,510	118,510			
2018	100,000	15,660	115,660	29,999	65,001	95,000
2019-2022	410,000	29,380	439,380			
Total	<u>\$715,000</u>	<u>\$126,080</u>	<u>\$841,080</u>	<u>\$48,731</u>	<u>\$146,269</u>	<u>\$195,000</u>

The Ohio Revised Code provides that voted net general obligation debt of the 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 at June 30, 2013 are a voted debt margin of \$5,265,417 and an unvoted debt margin of \$58,505.

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NOTE 12 – LEASES

On September 17, 2012, the District entered into a capital lease for computer equipment. The District disbursed \$22,633 to pay lease costs for the year ended June 30, 2013. Future lease payments are as follows:

Year	Amount
2014	\$23,943
2015	25,329
2016	26,795
Total	<u>\$76,067</u>

NOTE 13 – SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the District was also required to set aside money for textbooks and other instructional materials.

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2012.

	Capital Improvement
Balance June 30, 2011	
Current Year Set Aside Requirement	\$88,716
Current Year Offsets	(62,200)
Qualifying Cash Disbursements	(26,516)
Set Aside Reserve Balance June 30, 2012	<u><u> </u></u>

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2013.

	Capital Improvement
Balance June 30, 2012	
Current Year Set Aside Requirement	\$80,548
Current Year Offsets	(63,058)
Qualifying Cash Disbursements	(17,490)
Set Aside Reserve Balance June 30, 2013	<u><u> </u></u>

The District had current year offsets during the fiscal year that reduced the capital improvements set aside amount to below zero. However, this amount cannot be carried forward to reduce future set aside requirements, and therefore is not reflected in this schedule.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

NOTE 14 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

B. Litigation

There are currently no matters in litigation with the District as defendant.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The 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 within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert 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 Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of a representative from each participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information contact the Vantage Career Center, Lori Davis, Treasurer, 818 N. Franklin St., Van Wert, OH 45891-1304.

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representative from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)**

D. State Support Team Region 1

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The Lucas County Educational Service Center is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at www.sstr1.org

NOTE 16 – INTERFUND TRANSACTIONS

During fiscal year 2012, the General Fund transferred \$50,000 to the Severance Pay Special Revenue Fund to fund retirement payoffs.

During fiscal year 2013 and 2012, the General Fund transferred \$39,041 and \$11,010, respectively, to the Food Service Enterprise Fund to subsidize food service operations.

During fiscal year 2013 and 2012, the General Fund advanced \$7,178 and \$12,854, respectively, to the Food Service and Swimming Pool Enterprise Funds to subsidize operations. Repayment of prior year advances between the same funds were also made.

During fiscal year 2013 and 2012, the District made advances of \$2,282 and \$1,987 from the General Fund to the Student Activity Agency Funds. Repayment of prior year advances between the same funds were also made.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
Program Title			
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	\$86,881	\$86,881
Non-Cash Assistance (Food Distribution)		11,359	11,359
Total National School Lunch Program		<u>98,240</u>	<u>98,240</u>
School Breakfast Program	10.553	<u>16,018</u>	<u>16,018</u>
Total United States Department of Agriculture		<u>114,258</u>	<u>114,258</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	59,077	60,608
ARRA - Title I Grants to Local Educational Agencies	84.389	4,193	4,193
Total Title I, Part A Cluster		<u>63,270</u>	<u>64,801</u>
Education Technology State Grants	84.318	409	409
ARRA - Race to the Top Incentive Grants	84.395	28,504	28,117
Improving Teacher Quality State Grants	84.367	35,681	35,791
Education Jobs Fund	84.410	173,157	159,981
Special Education Cluster:			
Education Grants to States	84.027	129,312	129,312
Early Childhood Grant	84.173	7,805	7,805
ARRA - Special Education Grants to States	84.391	2,573	5,118
Total Special Education Cluster:		<u>139,690</u>	<u>142,235</u>
Direct Program			
Rural Education Achievement Program	84.358A	<u>23,491</u>	<u>23,491</u>
Total United States Department of Education		<u>464,202</u>	<u>454,825</u>
Total Federal Awards Receipts and Expenditures		<u>\$578,460</u>	<u>\$569,083</u>

The accompanying notes are an integral part of this Schedule.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amounts passed through to its subrecipient were \$137,117.

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Dave Yost • Auditor of State

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

Continental Local School District
Putnam County
5211 State Route 634
Continental, Ohio 45831-9155

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Continental Local School District, Putnam County, Ohio (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2014, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America and wherein we noted the District did not adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

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

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2014



Dave Yost • Auditor of State

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

Continental Local School District
Putnam County
5211 State Route 634
Continental, Ohio 45831-9155

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Continental Local School District's, Putnam County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Education Jobs Fund Program

As described in finding 2013-004 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applicable to its Education Jobs Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Education Jobs Fund Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Education Jobs Fund Program* paragraph, Continental Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Education Jobs Fund Program* for the year ended June 30, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Continental Local School District complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-005. This finding did not require us to modify our compliance opinion on each major federal program.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to

prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-004 to be a material weakness.

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

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

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

Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2014

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**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified: Special Education Cluster: Special Education – Grants to States CFDA #84.027 and Early Childhood Grant CFDA #84.173 Qualified: Education Jobs Fund CFDA #84.410
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Education Jobs Fund CFDA #84.410 Special Education Cluster: Special Education – Grants to States CFDA #84.027 and Early Childhood Grant CFDA #84.173 ARRA – Special Education Grants to States CFDA #84.391
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Noncompliance Citation/Material Weakness

Ohio Revised Code § 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code § 117-2-03(B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires school districts to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

However, the District does not meet this standard and prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

Officials' Response:

The Board of Education and management of the District are knowledgeable concerning the required reporting format and the similarities and differences from the required reporting format and the method currently incorporated by the District. District personnel considered the cost-benefit of the two reporting formats and determined reporting on the Cash Basis of Accounting format to be the more fiscally responsible format at this time.

FINDING NUMBER 2013-002

Material Weakness

The District failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2013 as mandated by the Auditor of State Bulletin 2011-004 for regulatory basis financial statements. Under GASB No. 54, fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. Those classifications include: Non-spendable, Restricted, Committed, Assigned, and Unassigned. In addition, GASB No. 54 provides additional clarity in how governmental funds should be classified.

By not implementing GASB No. 54 the District is not fully disclosing the manner in which fund balances are restricted. Noncompliance could also affect the classification of funds and increases the risk fund balances may be improperly spent.

We recommend the District adopt the provisions of GASB No. 54 as specified in Auditor of State Bulletin 2011-004.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-003

Material Weakness

Reporting and Budgeting Ohio Department of Education Grants

Sound accounting practices require money spent on behalf of the District by other governments be posted to the District's ledgers. Furthermore, Ohio Revised Code § 5705.42 deems the funds appropriated, eliminating the need for the District to approve a formal appropriation for these monies, however, this section does require the District to record the appropriation.

The District was the beneficiary of \$127,087 and \$137,117 in 2013 and 2012 respectively, of Special Education Cluster money paid directly to the Putnam County Educational Service Center (ESC) by the Ohio Department of Education (ODE). This activity and the corresponding appropriations were not recorded on the ledgers of the District. Since ODE forwards the grant to the ESC, the District did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the District applies for a grant and has administrative responsibilities. The accompanying financial statements were adjusted to reflect the amounts in the Special Revenue Fund Type.

We recommend the District record all benefits received from State or Federal grants as a memo receipt and expenditure on the District's records, request an amended certificate of estimated resources for these funds and the Board approve a corresponding appropriation for the expenditure. In addition, District management should review Auditor of State Bulletin 2000-08.

Officials' Response:

This refers to Auditor of State Bulletin 2000-08 but this has never been done before. There have been several audits since 2000 and no citation has ever been issued for this. Past practice was being followed for these years. Beginning in FY 2014, changes are being made and these funds will be budgeted and included in the financial statements of Continental Local School.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2013-004
CFDA Title and Number	Education Jobs Fund CFDA #84.410
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation/Material Weakness

Cash Management

34 CFR 80.20 (b)(7) provides in part, when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. This has been interpreted as being spent within 30 days.

Sixty percent of the grant monies received by electronic transfer for the Education Jobs Fund were not spent within 30 days of receipt during fiscal year 2012. By not expending advanced funds timely, the District risks the potential loss or decrease in federal funding.

We recommend improvements be made in the procedures for minimizing the time elapsing between the transfer of funds from the US Treasury and disbursement by the District whenever the advance payment procedure is used.

Officials' Response:

See Corrective Action Plan on the following page.

FINDING NUMBER 2013-005

Noncompliance Citation

OMB Circular A-133 § .200(a), Audits of State and Local Governments and Non-Profit Organizations, requires Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with provisions of OMB Circular A-133.

OMB Circular A-133 § .320, requires the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District expended greater than \$500,000 in Federal awards during fiscal year 2012 and did not have a single audit or a program-specific audit conducted to meet the nine month deadline. The District did not receive an extension to this filing requirement.

Officials' Response:

See Corrective Action Plan on the following page.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-004	There were some months that the treasurer estimated too high as to how much cash would be needed due to an employee being paid from the timesheet and then not working. The treasurer was trying to avoid a negative fund balance at the end of the month. Changes have been made in how the treasurer requests cash for federal funds.	January 1, 2014	Kathy Schmitz, Treasurer
2013-005	This citation is related to citation 2013-003. These funds were not included in the budgetary or financial statement previously so past practice was being followed to not include them in the federal schedule calculation. Beginning in FY 2014, changes are being made and funds listed in 2013-003 will be included in the federal schedule calculation of Continental Local School to see if an annual audit is required.	January 1, 2014	Kathy Schmitz, Treasurer

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Administrative Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as finding 2013-001.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Continental Local School District
Putnam County
5211 State Route 634
Continental, Ohio 45831-9155

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on June 19, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 30, 2014

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

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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
FEBRUARY 18, 2014**