



**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Continental Local School District, Putnam County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Continental Local School District, Putnam County, Ohio as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

December 19, 2000

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**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$2,098,511	\$235,023	\$55,986	\$2,162,591
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Cash with fiscal agent		8,912		
Investments				
Receivables				
Taxes - current and delinquent	1,020,831	16,911	127,843	23,026
Accounts	5,234	11,349		
Interfund loan receivable	12,953			
Due from other governments	750	1,338		
Prepayments	9,456			
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	49,351			
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other debits:</b>				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
<b>Total assets and other debits</b>	<b><u>\$3,197,086</u></b>	<b><u>\$273,533</u></b>	<b><u>\$183,829</u></b>	<b><u>\$2,185,617</u></b>



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$25,229	\$23,015	\$44,326			\$4,644,681
		2,582			2,582
		44,500			8,912
6,097					44,500
295					1,194,708
6,837					16,878
3,893					12,953
					8,925
					9,456
					3,893
					49,351
15,927			\$4,497,481		4,513,408
				\$64,717	64,717
				2,005,313	2,005,313
<b>\$58,278</b>	<b>\$23,015</b>	<b>\$91,408</b>	<b>\$4,497,481</b>	<b>\$2,070,030</b>	<b>\$12,580,277</b>

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999  
(Continued)**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$9,372	\$2,028		\$585
Contracts payable				58,780
Accrued wages and benefits	351,672	11,924		
Compensated absences payable	3,438			
Claims payable				
Pension obligation payable	62,648	2,236		
Interfund loan payable				12,953
Deferred revenue	772,540	15,756	\$119,112	19,889
Due to other governments				
Due to students				
General obligation bond payable				
Obligation under capital lease				
<b>Total liabilities</b>	<b>1,199,670</b>	<b>31,944</b>	<b>119,112</b>	<b>92,207</b>
<b>Equity and other credits:</b>				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	88,001	5,449		339,086
Reserved for prepayments	9,456			
Reserved for debt service			55,986	
Reserved for tax revenue unavailable for appropriation	57,605	1,155	8,731	3,137
Reserved for principal endowment				
Reserved for budget stabilization	49,351			
Reserved for scholarships				
Designated for instructional materials	122,145			
Designated for capital improvements	135,119			
Unreserved-undesignated	1,535,739	234,985		1,751,187
<b>Total equity and other credits</b>	<b>1,997,416</b>	<b>241,589</b>	<b>64,717</b>	<b>2,093,410</b>
<b>Total liabilities, equity and other credits</b>	<b>\$3,197,086</b>	<b>\$273,533</b>	<b>\$183,829</b>	<b>\$2,185,617</b>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$865		\$20			\$12,870
12,396	\$4				58,780
10,635				\$331,200	375,996
	3,608				345,273
16,713				30,595	3,608
8,111					112,192
		2,000			12,953
		39,341			935,408
				1,644,729	2,000
				63,506	39,341
					1,644,729
					63,506
<u>48,720</u>	<u>3,612</u>	<u>41,361</u>		<u>2,070,030</u>	<u>3,606,656</u>
9,558	19,403		\$4,497,481		4,497,481
					28,961
					432,536
					9,456
					55,986
		32,500			70,628
		2,582			32,500
					49,351
					2,582
					122,145
					135,119
		14,965			3,536,876
<u>9,558</u>	<u>19,403</u>	<u>50,047</u>	<u>4,497,481</u>		<u>8,973,621</u>
<u><b>\$58,278</b></u>	<u><b>\$23,015</b></u>	<u><b>\$91,408</b></u>	<u><b>\$4,497,481</b></u>	<u><b>\$2,070,030</b></u>	<u><b>\$12,580,277</b></u>

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
From local sources:		
Taxes	\$1,323,185	\$9,334
Earnings on investments	125,088	3,120
Other local revenues	14,133	93,960
Intergovernmental - State	3,229,334	32,386
Intergovernmental - Federal		156,462
Total revenue	<u>4,691,740</u>	<u>295,262</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	2,110,702	52,845
Special	373,175	89,441
Vocational	99,908	12,606
Other		1,671
Support services:		
Pupil	100,358	13,780
Instructional staff	192,535	43,873
Board of Education	95,789	
Administration	425,006	16,719
Fiscal	98,368	2,817
Operations and maintenance	448,286	
Pupil transportation	149,930	
Central	500	8,027
Community services		8,167
Extracurricular activities	69,828	42,513
Facilities services	11,407	
Capital outlay	22,155	
Debt service:		
Principal retirement	9,471	
Interest and fiscal charges		
Total expenditures	<u>4,207,418</u>	<u>292,459</u>
Excess of revenues over (under) expenditures	<u>484,322</u>	<u>2,803</u>
<b>Other financing sources (uses):</b>		
Operating transfers in		18,791
Operating transfers out	(20,041)	
Proceeds of capital lease transaction	22,155	
Proceeds of bonds		
Total other financing sources (uses)	<u>2,114</u>	<u>18,791</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	486,436	21,594
Fund balance, July 1	1,510,980	219,995
<b>Fund balance, June 30</b>	<u><b>\$1,997,416</b></u>	<u><b>\$241,589</b></u>

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$70,565	\$41,399		\$1,444,483
	22,231	\$555	150,994
		415	108,508
6,889	794,038		4,062,647
			156,462
<u>77,454</u>	<u>857,668</u>	<u>970</u>	<u>5,923,094</u>
			2,163,547
			462,616
			112,514
			1,671
			114,138
	21,693		258,101
			95,789
1,758			443,483
			101,185
	112,063		560,349
			149,930
			8,527
		1,638	9,805
			112,341
	605,775		617,182
	105,120		127,275
	54,298		63,769
18,450			18,450
<u>20,208</u>	<u>898,949</u>	<u>1,638</u>	<u>5,420,672</u>
<u>57,246</u>	<u>(41,281)</u>	<u>(668)</u>	<u>502,422</u>
			18,791
			(20,041)
	105,120		127,275
	<u>1,650,840</u>		<u>1,650,840</u>
	<u>1,755,960</u>		<u>1,776,865</u>
57,246	1,714,679	(668)	2,279,287
7,471	378,731	15,633	2,132,810
<u>\$64,717</u>	<u>\$2,093,410</u>	<u>\$14,965</u>	<u>\$4,412,097</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
From local sources:			
Taxes	\$1,285,016	\$1,283,957	(1,059)
Earnings on investments	125,000	125,088	88
Other local revenues	10,150	8,899	(1,251)
Intergovernmental - State	3,228,610	3,228,584	(26)
Intergovernmental - Federal			
Total revenues	<u>4,648,776</u>	<u>4,646,528</u>	<u>(2,248)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,260,551	2,077,667	182,884
Special	444,836	368,614	76,222
Vocational	102,668	98,982	3,686
Support services:			
Pupil	102,684	97,178	5,506
Instructional staff	265,142	189,855	75,287
Board of Education	177,716	95,837	81,879
Administration	479,223	425,152	54,071
Fiscal	153,935	105,770	48,165
Operations and maintenance	792,160	464,148	328,012
Pupil transportation	330,350	215,463	114,887
Central	1,000	500	500
Community services			
Extracurricular activities	84,543	68,713	15,830
Facilities services	33,017	11,407	21,610
Pass-through intergovernmental	405,000		405,000
Debt service:			
Interest and fiscal charges			
Total expenditures	<u>5,632,825</u>	<u>4,219,286</u>	<u>1,413,539</u>
Excess of revenues over (under) expenditures	<u>(984,049)</u>	<u>427,242</u>	<u>1,411,291</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	306,615	306,615	
Operating transfers (out)	(334,128)	(326,657)	7,471
Advances in			
Advances (out)	(15,000)	(12,953)	2,047
Proceeds of sale of bonds			
Total other financing sources (uses)	<u>(42,513)</u>	<u>(32,995)</u>	<u>9,518</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(1,026,562)</u>	<u>394,247</u>	<u>1,420,809</u>
Fund balance, July 1	1,605,684	1,605,684	
Prior year encumbrances appropriated	50,913	50,913	
<b>Fund balance, June 30</b>	<u><u>\$630,035</u></u>	<u><u>\$2,050,844</u></u>	<u><u>\$1,420,809</u></u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$8,185	\$8,179	(\$6)	\$63,621	\$61,834	(\$1,787)
2,720	2,909	189			
83,845	82,611	(1,234)			
32,462	32,386	(76)	6,889	6,889	
108,033	108,033				
235,245	234,118	(1,127)	70,510	68,723	(1,787)
96,631	56,398	40,233			
87,737	78,290	9,447			
12,606	12,606				
4,000	3,790	210			
12,821	11,711	1,110			
19,343	16,832	2,511	3,000	1,758	1,242
661	579	82			
8,957	8,023	934			
9,174	8,126	1,048			
46,438	44,297	2,141			
			18,450	18,450	
298,368	240,652	57,716	21,450	20,208	1,242
(63,123)	(6,534)	56,589	49,060	48,515	(545)
18,791	18,791				
18,791	18,791				
(44,332)	12,257	56,589	49,060	48,515	(545)
202,036	202,036		7,471	7,471	
13,062	13,062				
<b>\$170,766</b>	<b>\$227,355</b>	<b>\$56,589</b>	<b>\$56,531</b>	<b>\$55,986</b>	<b>(\$545)</b>

(Continued)

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

	<b>Capital Projects</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget Revised</b>	<b>Actual</b>	
<b>Revenues:</b>			
From local sources:			
Taxes	\$41,269	\$41,395	\$126
Earnings on investments	16,034	22,231	6,197
Other local revenues			
Intergovernmental - State	1,138,165	794,038	(344,127)
Intergovernmental - Federal			
Total revenues	<u>1,195,468</u>	<u>857,664</u>	<u>(337,804)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	758		758
Special			
Vocational			
Support services:			
Pupil			
Instructional staff	81,274	76,021	5,253
Board of Education			
Administration			
Fiscal			
Operations and maintenance	176,738	124,563	52,175
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities services	1,020,633	982,897	37,736
Pass-through intergovernmental			
Debt service:			
Interest and fiscal charges			
Total expenditures	<u>1,279,403</u>	<u>1,183,481</u>	<u>95,922</u>
Excess of revenues over (under) expenditures	<u>(83,935)</u>	<u>(325,817)</u>	<u>(241,882)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in			
Operating transfers (out)			
Advances in	13,000	12,953	(47)
Advances (out)			
Proceeds of sale of bonds	1,650,840	1,650,840	
Total other financing sources (uses)	<u>1,663,840</u>	<u>1,663,793</u>	<u>(47)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	1,579,905	1,337,976	(241,929)
Fund balance, July 1	123,969	123,969	
Prior year encumbrances appropriated	302,196	302,196	
<b>Fund balance, June 30</b>	<b><u>\$2,006,070</u></b>	<b><u>\$1,764,141</u></b>	<b><u>(\$241,929)</u></b>

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



**Total (Memorandum only)**

<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$1,398,091	\$1,395,365	(\$2,726)
143,754	150,228	6,474
93,995	91,510	(2,485)
4,406,126	4,061,897	(344,229)
108,033	108,033	
<u>6,149,999</u>	<u>5,807,033</u>	<u>(342,966)</u>
2,357,940	2,134,065	223,875
532,573	446,904	85,669
115,274	111,588	3,686
106,684	100,968	5,716
359,237	277,587	81,650
177,716	95,837	81,879
501,566	443,742	57,824
154,596	106,349	48,247
968,898	588,711	380,187
330,350	215,463	114,887
9,957	8,523	1,434
9,174	8,126	1,048
130,981	113,010	17,971
1,053,650	994,304	59,346
405,000		405,000
<u>18,450</u>	<u>18,450</u>	
<u>7,232,046</u>	<u>5,663,627</u>	<u>1,568,419</u>
<u>(1,082,047)</u>	<u>143,406</u>	<u>1,225,453</u>
325,406	325,406	
(334,128)	(326,657)	7,471
13,000	12,953	(47)
(15,000)	(12,953)	2,047
<u>1,650,840</u>	<u>1,650,840</u>	
<u>1,640,118</u>	<u>1,649,589</u>	<u>9,471</u>
558,071	1,792,995	1,234,924
1,939,160	1,939,160	
366,171	366,171	
<u><b>\$2,863,402</b></u>	<u><b>\$4,098,326</b></u>	<u><b>\$1,234,924</b></u>

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>				
Tuition and fees	\$25,823			\$25,823
Sales/charges for services	203,240			203,240
Investment earnings			\$1,341	1,341
Gifts and donations			2,761	2,761
Total operating revenues	<u>229,063</u>		<u>4,102</u>	<u>233,165</u>
<b>Operating expenses:</b>				
Personal services	159,724	\$3,229		162,953
Contract services	6,968			6,968
Materials and supplies	136,088			136,088
Depreciation	580			580
Other	1,094		1,131	2,225
Claims expense		28,504		28,504
Total operating expenses	<u>304,454</u>	<u>31,733</u>	<u>1,131</u>	<u>337,318</u>
Operating income (loss)	<u>(75,391)</u>	<u>(31,733)</u>	<u>2,971</u>	<u>(104,153)</u>
<b>Nonoperating revenues:</b>				
Operating grants	54,862			54,862
Federal commodities	11,740			11,740
Interest revenue	243			243
Property tax	5,579			5,579
Total nonoperating revenues	<u>72,424</u>			<u>72,424</u>
Net income (loss) before operating transfers	<u>(2,967)</u>	<u>(31,733)</u>	<u>2,971</u>	<u>(31,729)</u>
Operating transfers in	1,250			1,250
Net income (loss)	<u>(1,717)</u>	<u>(31,733)</u>	<u>2,971</u>	<u>(30,479)</u>
Retained earnings July 1	11,275	51,136	32,111	94,522
<b>Retained earnings June 30</b>	<b><u>\$9,558</u></b>	<b><u>\$19,403</u></b>	<b><u>\$35,082</u></b>	<b><u>\$64,043</u></b>

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

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Total (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Cash flows from operating activities:</b>				
Cash received from tuition and fees	\$27,050			\$27,050
Cash received from sales/service charges	202,945			202,945
Cash received from other operations			\$2,761	2,761
Cash payments for personal services	(150,094)	(\$3,225)		(153,319)
Cash payments for contract services	(6,294)			(6,294)
Cash payments supplies and materials	(124,204)			(124,204)
Cash payments for claims expenses		(24,896)		(24,896)
Cash payments for other expenses	(1,094)		(1,131)	(2,225)
Net cash provided (used) by operating activities	<u>(51,691)</u>	<u>(28,121)</u>	<u>1,630</u>	<u>(78,182)</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from operating grants	48,025			48,025
Cash received from property and other local taxes	5,596			5,596
Cash received from transfers in	1,250			1,250
Net cash provided by noncapital financing activities	<u>54,871</u>			<u>54,871</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	<u>(6,520)</u>			<u>(6,520)</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments			(32,500)	(32,500)
Interest received	243		1,341	1,584
Net decrease in cash and cash equivalents	(3,097)	(28,121)	(29,529)	(60,747)
Cash and cash equivalents at beginning of year	<u>28,326</u>	<u>51,136</u>	<u>32,111</u>	<u>111,573</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$25,229</u></b>	<b><u>\$23,015</u></b>	<b><u>\$2,582</u></b>	<b><u>50,826</u></b>

(Continued)

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	(\$75,391)	(\$31,733)	\$2,971	(104,153)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
Depreciation	580			580
Federal donated commodities	11,740			11,740
Interest reported as operating income			(1,341)	(1,341)
Changes in assets and liabilities:				
Increase in supplies inventory	(2,483)			(2,483)
Decrease in accounts receivable	932			932
Decrease in prepayments	1,868			1,868
Increase in accounts payable	865			865
Increase in accrued wages & benefits	2,238	4		2,242
Increase in compensated absences payable	332			332
Increase in pension obligation payable	5,188			5,188
Increase in claims payable		3,608		3,608
Increase in deferred revenue	2,440			2,440
<b>Net cash provided (used) by operating activities</b>	<b><u>(\$51,691)</u></b>	<b><u>(\$28,121)</u></b>	<b><u>\$1,630</u></b>	<b><u>(\$78,182)</u></b>

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

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District currently operates 1 elementary school and 1 comprehensive high school. The District employs 36 non-certified and 60 certified (including administrative) full-time and part-time employees to provide services to approximately 882 students in grades K through 12 and various community groups, which ranks it 531<sup>st</sup> out of approximately 612 school districts in Ohio.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity," effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

***Jointly Governed Organizations:***

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Van Wert and Wood counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

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

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

Vantage Joint Vocational School

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

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

**B. Fund Accounting**

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

**Governmental Funds**

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

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

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

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

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

**Proprietary Funds**

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

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

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

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

**Fiduciary Funds**

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

**Account Groups**

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

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

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

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and Expendable Trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999 and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its



**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999 in the following amounts:

	<u>Increase</u>
General	\$410,144
Special Revenue	32,322
Debt Service	21,451
Capital Projects	662,871
Enterprise	5,406
Internal Service	4,193
Expendable Trust	1,118
Agency	<u>69,348</u>
Totals	<u>\$1,206,853</u>

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Proprietary funds are disclosed in Note 13.

**E. Cash and Investments**

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

During fiscal 1999, investments were limited to certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio), and no load mutual funds.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

In accordance with Ohio statute, the Board, by resolution, has specified which funds shall receive an allocation of interest earnings. During fiscal 1999, the following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned From Other Funds</u>
General	\$125,088	\$80,391	\$44,697
<u>Special Revenue Funds</u>			
Scholarship in escrow	3,120	2,527	593

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

**F. Inventory**

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

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

**G. Prepaids**

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

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

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

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

**I. Intergovernmental Revenues**

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

**Entitlements**

General Fund

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Program

Special Revenue Funds

State Property Tax Relief

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

Debt Service Funds

State Property Tax Relief

Capital Projects Funds

State Property Tax Relief

Enterprise Funds

State Property Tax Relief

**Non-Reimbursable Grants**

Special Revenue Funds

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

Capital Project Funds

School Net  
Emergency School Building Repair Grant  
Ohio School Facilities

**Reimbursable Grants**

General Fund

Driver Education

Proprietary

National School Lunch Program  
National School Milk Program

Grants and entitlements amounted to over 68% of the District's operating revenue during the 1999 fiscal year.

**J. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

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

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

**K. Statutory Reserves**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. The amount for fiscal year 1999 was 2% of previous year qualifying general fund revenue. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The School District is also required to set aside money for budget stabilization, which for fiscal year 1999 was 1% of previous year qualifying general fund revenue, if the growth in a school district's qualifying general fund revenue for fiscal year 1997 to fiscal year 1998 is 3% or more. The School District did have a growth in qualifying revenue of 3% or more.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998			\$15,571	\$15,571
Current Year Set-aside Requirement	66,920	66,920	33,460	167,300
Current Year Additional Deposits			320	320
Current Year Offsets	(12,221)	(49,574)		(61,795)
Qualifying Disbursements	<u>(54,699)</u>	<u>(17,346)</u>		<u>(72,045)</u>
Set-aside Cash Balance as of June 30, 1999	<u>=====</u>	<u>=====</u>	<u>\$49,351</u>	<u>\$49,351</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

Amounts of qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District had additional qualifying expenditures, for textbooks of \$50,521 and capital improvements of \$1,455, during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.

**L. Compensated Absences**

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

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

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

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

**M. Long-Term Obligations**

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

**N. Fund Equity**

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

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

**O. Statement of Cash Flows**

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

**P. Financial Reporting for Proprietary and Similar Fund Types**

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

**Q. Restricted Assets**

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

**R. Estimates**

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

**S. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

Fund balances/Retained earnings at June 30, 1999 included the following individual fund deficits:

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Management Information Systems	\$ (12)
<u>Capital Projects Fund</u>	
Emergency Building Repair	(12,953)
<u>Enterprise Fund</u>	
Food Service	(6,802)

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

**B. Change in Basis of Accounting**

In prior years, the District has reported Agency funds using the modified accrual basis of accounting. For fiscal 1999, Agency funds are reported using the budget (cash) basis of accounting. No restatement is required because Agency funds do not report results of operations. There were no material receivables in the Agency funds at June 30, 1999.

**C. Compliance**

Although there were no funds with deficit cash balances at year end there were several funds with deficit cash balances throughout the year, ranging in amounts from \$59 to \$26,840.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

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



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(Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At year end, the District had \$50 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

*Cash with Fiscal Agent:* At year end, \$8,912 was on deposit with the District's fiscal agent for pass-through grants and is not included in the total amount of deposits reported below and, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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(Continued)**

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$467,395 and the bank balance was \$600,020. Of the bank balance:

1. \$200,845 was covered by federal deposit insurance; and
2. \$399,175 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

	Category of Risk 3	Fair Value
No load Mutual Fund	\$57,065	\$57,065
Not Subject to Categorization: Investment in STAR Ohio		4,216,604
Total Investments	\$57,065	\$4,273,669

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$4,705,526	\$44,500
Cash on Hand	(50)	
Cash with the Educational Service Center	(8,912)	
Investments:		
Certificates of Deposit	44,500	(44,500)
No load Mutual Fund	(57,065)	57,065
STAR Ohio	(4,216,604)	4,216,604
GASB Statement No. 3	\$ 467,395	\$ 4,273,669

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and/or payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
<u>General Fund</u>	\$12,953	
<u>Capital Projects Fund</u>		
Emergency Building Repair		\$(12,953)
Total Interfund Loans	<u>\$12,953</u>	<u>\$(12,953)</u>

The following is a reconciliation of the District's operating transfers for fiscal year 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$(20,041)
<u>Special Revenue Funds</u>		
Other Grant	\$18,791	
<u>Enterprise Funds</u>		
Recreation	<u>1,250</u>	<u>          </u>
Total	<u>\$20,041</u>	<u>\$(20,041)</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

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

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

The assessed values upon which fiscal year 1999 taxes were collected are:

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	1998 Second - Half Collections		1999 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$27,267,230	84%	\$28,188,780	84%
Public Utility	2,918,470	9%	3,200,470	10%
Tangible Personal Property	2,269,486	7%	2,269,486	6%
Total Assessed Value	<u>\$32,455,186</u>	<u>100%</u>	<u>\$33,658,736</u>	<u>\$100%</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$31.25		\$31.75	
Debt Service			3.78	
Permanent Improvements	1.40		1.40	

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 1999 totaled \$57,605 in the General fund, \$8,731 in the Debt Service fund \$3,137 in the Permanent Improvements fund, \$1,155 in the Maintenance fund, and \$426 in the Recreation Enterprise fund.

**NOTE 7 - INCOME TAX**

The District levies a voted tax of one percent for general obligations on the income of residents and of estates. The tax was effective January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund, and totaled \$564,076 for fiscal 1999, which includes a receivable of \$190,686 at June 30, 1999.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts, interfund loans and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state and federal programs.

A summary of the receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent Accounts	\$1,020,831
Interfund Loan	5,234
Due From Other Governments	12,953
	750
<u>Special Revenue Funds</u>	
Taxes - Current and Delinquent Accounts	16,911
Due From Other Governments	11,349
	1,338
<u>Debt Service Funds</u>	
Taxes - Current and Delinquent	127,843
<u>Capital Projects Funds</u>	
Taxes - Current and Delinquent	23,026
<u>Enterprise Funds</u>	
Taxes-Current and Delinquent Accounts	6,097
Due From Other Governments	295
	6,837

**NOTE 9 - FIXED ASSETS**

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

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1999</u>
Land/				
Improvements	\$ 66,124			\$ 66,124
Buildings/Improvements	2,325,450	\$ 99,997		2,425,447
Furniture/				
Equipment	947,929	229,243	\$(15,076)	1,162,096
Vehicles	555,720			555,720
Construction In Progress		<u>288,094</u>		<u>288,094</u>
Total	<u>\$3,895,223</u>	<u>\$617,334</u>	<u>\$(15,076)</u>	<u>\$4,497,481</u>

The construction in progress represents construction of a building and is expected to be completed during fiscal year 2000.

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$123,441
Less: Accumulated Depreciation	<u>(107,514)</u>
Net Fixed Assets	<u>\$15,927</u>

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**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In the current fiscal year, the District has entered into capitalized leases for the acquisition of computers. These new leases are accounted for as capital outlay expenditures and other financing sources in the General and Capital Projects funds.

Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Similar Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$63,769. This amount is reflected as debt service principal retirement in the General fund and the Capital Projects Fund.

The following is an analysis of equipment leased under capital leases as of June 30, 1999:

	General Fixed Assets
Computers	\$127,275
Carrying Value	<u>\$127,275</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999:

General Long-Term Obligations	
June 30 Year Ending	Total
2000	\$29,471
2001	24,795
2002	<u>20,000</u>
Total Minimum Lease Payments	74,266
Less: Amount Representing Interest	<u>(10,760)</u>
Present Value of Future Minimum Lease Payment	<u>\$63,506</u>

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

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**NOTE 11 - LONG-TERM OBLIGATIONS**

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

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

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

The following is a description of the District's bond outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued During Fiscal 1999</u>	<u>Balance 06/30/99</u>
Additions and Renovations	5.39%	03/01/99	12/01/21	<u>\$1,644,729</u>	<u>\$1,644,729</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$50,000	\$71,698	\$121,698
2001	50,000	70,048	120,048
2002	55,000	68,208	123,208
2003	55,000	66,186	121,186
2004	60,000	63,985	123,985
2005-2009	325,000	281,954	606,954
2010-2014	264,729	372,150	636,879
2015-2019	460,000	140,500	600,500
2020-2022	<u>325,000</u>	<u>24,625</u>	<u>349,625</u>
Total	<u>\$1,644,729</u>	<u>\$1,159,354</u>	<u>\$2,804,083</u>

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

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	<u>Balance</u> <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated Absences	\$308,576	\$33,139	\$(10,515)	\$331,200
General Obligation Bond		1,644,729		1,644,729
Pension Obligation	29,035	30,595	(29,035)	30,595
Capital Leases		<u>127,275</u>	<u>( 63,769)</u>	<u>63,506</u>
Total	<u>\$337,611</u>	<u>\$1,835,738</u>	<u>\$(103,319)</u>	<u>\$2,070,030</u>

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 1999 are a voted debt margin of \$1,449,274 (including available funds of \$64,717) and an unvoted debt margin of \$33,659.

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 1998, the School District contracted with Grange Mutual Casualty Company for property insurance and fleet insurance and with Wausau Business Insurance Company for liability insurance.

Coverages provided by the Districts insurance carriers are as follows:

	<u>Deductible</u>	<u>Coverage</u>
Building and Contents- Replacement cost	\$1,000	\$13,280,905
Inland Marine Coverage	100	51,624
Automobile Liability		1,000,000
Uninsured Motorists		1,000,000
Medical Payments - per person		3,000
General Liability:		
Per occurrence		2,000,000
Total per year		5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the "Plan"), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator



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of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The District joined together with school districts and other entities to form the Putnam County Schools Insurance Group (PCSIG), a public entity risk pool currently operating as a common risk management and insurance program for 11 member entities. The District pays its monthly premiums to the PCSIG and their designated insurance company. The PCSIG is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the PCSIG may assess additional charges to all participants. The insurance group is governed by an advisory committee consisting of each member's superintendent or designee and a teacher from each participating school district. Financial information can be obtained from Kathleen Schmitz, who serves as treasurer, at P.O. Box 190, Ottawa, Ohio 45875.

The PCSIG provides employee health care benefits to all participants under a contingent premium policy. Under the policy, the provider pays claims up to 90 percent of the fully insured rate and the PCSIG reimburses the provider for claims up to 105 percent of the fully insured rate. Any claims in excess of the 105 percent are covered under a stop loss policy.

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

The claims liability of \$3,608 reported in the fund at June 30, 1999, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for the current and past three fiscal years are as follows:

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

**NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Recreation. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

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	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Recreation</u>	<u>Total</u>
Operating Revenue	\$188,228	\$25,823	\$15,012	\$229,063
Depreciation	328		252	580
Operating (Loss)	(58,782)	(1,496)	(15,113)	(75,391)
Non-operating revenue:				
Operating Grants	54,253		609	54,862
Donated Federal Commodities	11,740			11,740
Tax Revenue			5,579	5,579
Net Income (Loss)	7,454	(1,496)	(7,675)	(1,717)
Net Working Capital	(7,214)	10,496	984	4,266
Total Assets	31,894	10,496	15,888	58,278
Long-Term Liabilities				
Payable from				
Fund Revenues	10,635			10,635
Total Fund Equity	(6,803)	10,496	5,865	9,558
Encumbrances at 06/30/99	350	2,374	5,593	8,317

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$74,113, \$69,351, and \$64,992, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$37,056, which presents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$339,237, \$298,968, and \$283,676, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$55,236, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District, this amount equaled \$193,850 during the 1999 fiscal year.

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

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

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$43,917.

The surcharge, added to the unallocated portion of 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,980, and the target level was \$187.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51000 participants currently receiving health care benefits.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types</b>				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$394,247	\$12,257	\$48,515	\$1,337,976
Net Adjustment for Revenue Accruals	45,212	61,144	8,731	4

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

Net Adjustment for Expenditure Accruals	(85,149)	(59,264)		(113,919)
Net Adjustment for Other Financing Sources/(Uses)	35,109			92,167
Adjustment for Encumbrances	<u>97,017</u>	<u>7,457</u>	<u>          </u>	<u>398,451</u>
GAAP Basis	<u>\$486,436</u>	<u>\$21,594</u>	<u>\$57,246</u>	<u>\$1,714,679</u>

**NOTE 17 - CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

**B. Litigation**

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

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,117,010 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$731,432 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention,

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999  
(Continued)**

study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

**NOTE 18 - OUTSTANDING CONTRACTUAL COMMITMENTS**

At June 30, 1999 the District had an outstanding commitment in the amount of \$62,488 from the General Fund for the purchase of a bus.



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

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

To the Board of Education:

We have audited the financial statements of the Continental Local School District, Putnam County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10269-001.

### Internal Control Over Financial Reporting

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

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

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

**Jim Petro**  
Auditor of State

December 19, 2000



**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
SCHEDULE OF FINDINGS**

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

<b>Finding Number</b>	<b>1999-10269-001</b>
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**FINDING NUMBER 1999-10269-001**

Ohio Revised Code § 5705.10 states money paid into any fund shall be used only for the purposes for which the fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. Although there were no funds with deficit balances at fiscal year end, the following funds were found to have deficit balances sometime during fiscal year 1999 by a maximum of amounts listed:

	Fund	Maximum deficit at anytime throughout the year
6	Food Service Fund	\$8,297
7	Special Trust-Flowers Fund	\$59
9	Uniform School Supplies Fund	\$5,893
10	Ohio School Facilities Fund	\$26,840
14	Rotary Fund	\$1,620
200-9130	High School Music Fund	\$211
200-9330	Future Farmers of America Fund	\$334
200-9440	Band Fund	\$595
200-9704	Class of 2004 Fund	\$60
200-9710	Honor Society Fund	\$373
432	EMIS Fund	\$285
455	Textbook Subsidy Fund	\$694
497	Emergency Building Repair Fund	\$12,953
572-9098	Title I, FY 1998 Fund	\$251
572-9099	Title I, FY 1999 Fund	\$452
573-9098	Title VI, FY 1998 Fund	\$248

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

**CONTINENTAL LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
1998-10269-001	<b>ORC § 5705.41(B)</b> expenditures in excess of appropriations	Yes	



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**CONTINENTAL LOCAL SCHOOL DISTRICT**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 16, 2001**