



**Auditor of State
Betty Montgomery**

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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 (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 3 to the general-purpose financial statements, during the year ended June 30, 2001, the District reclassified its internal service fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 28, 2003

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**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,973,428	\$313,572	\$118,098	\$2,935,843
Cash and Cash Equivalents:				
With Fiscal Agents		2,224		
Investments				
Investments-Nonexpendable Trust Fund				
Receivables:				
Taxes	1,698,097	20,968	115,030	48,873
Accounts	392	11,623		
Accrued Interest	9,104			
Due from other governments		27,367		
Prepayments	11,448			
Materials and Supplies Inventory				
Property, Plant and equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in Debt Service Fund				
Amount to be Provided for retirement of General Long Term Obligations				
Total Assets and Other Debits	\$3,692,469	\$375,754	\$233,128	\$2,984,716

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$28,673	\$39,413			\$5,409,027
				2,224
	7,486			7,486
	38,514			38,514
6,462				1,889,430
				12,015
5,381				9,104
				32,748
5,908				11,448
				5,908
15,584		\$17,034,085		17,049,669
			\$129,185	129,185
			1,933,437	1,933,437
<u>\$62,008</u>	<u>\$85,413</u>	<u>\$17,034,085</u>	<u>\$2,062,622</u>	<u>\$26,530,195</u>

(Continued)

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2001
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$47,699	\$5,796		\$13,919
Contracts Payable				405,963
Accrued Wages and Benefits	401,995	20,097		
Compensated Absences Payable	3,629			
Retainage Payable				154,284
Pension Obligation Payable	70,914	1,464		
Deferred Revenue	1,465,206	19,501	\$103,943	45,584
Due to Other Governments				
Due to Students				
General Obligation Bonds Payable				
Obligation Under Capital Lease				
Total Liabilities	1,989,443	46,858	103,943	619,750
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	179,797	66,600		987,702
Reserved for Prepaid Items	11,448			
Reserved for Debt Service			118,098	
Reserved for Taxes Revenue				
Unavailable for Appropriation	59,790	1,467	11,087	3,289
Reserved for Principal Endowment				
Designated for Instructional Materials	94,415			
Designated for Capital Maintenance	107,291			
Unreserved, Undesignated	1,250,285	260,829		1,373,975
Total Fund Equity and Other Credits	1,703,026	328,896	129,185	2,364,966
Total Liabilities, Fund Equity and Other Credits	\$3,692,469	\$375,754	\$233,128	\$2,984,716

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$430				\$67,844
\$14,192				405,963
10,185			\$335,789	436,284
				349,603
				154,284
13,217			35,181	120,776
9,987				1,644,221
	\$1,946			1,946
	\$33,537			33,537
			1,569,617	1,569,617
			122,035	122,035
<u>48,011</u>	<u>35,483</u>		<u>2,062,622</u>	<u>4,906,110</u>
		\$17,034,085		17,034,085
13,997				13,997
				1,234,099
				11,448
				118,098
				75,633
	34,170			34,170
				94,415
				107,291
	15,760			2,900,849
<u>13,997</u>	<u>49,930</u>	<u>17,034,085</u>		<u>21,624,085</u>
<u>\$62,008</u>	<u>\$85,413</u>	<u>\$17,034,085</u>	<u>\$2,062,622</u>	<u>\$26,530,195</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From Local Sources:		
Taxes	\$1,368,492	\$19,098
Earnings on Investments	188,862	3,102
Other Local Revenues	53,597	
Charges for Services	9,000	
Extracurricular Activities		54,589
Donations		26,617
Intergovernmental-State	3,369,624	68,024
Intergovernmental-Federal		190,553
Total Revenues	<u>4,989,575</u>	<u>361,983</u>
Expenditures:		
Instruction:		
Regular	2,453,269	31,210
Special	490,046	167,600
Vocational	105,174	
Support services:		
Pupils	145,296	12,371
Instructional Staff	224,524	39,267
Board of Education	26,581	
Administration	480,447	12,683
Fiscal	117,040	2,126
Operation and Maintenance of Plant	1,083,949	10,013
Pupil Transportation	250,037	
Central	255	4,636
Community Services		4,132
Extracurricular Activities	74,522	65,065
Facilities Services	98,339	
Capital Outlay		
Non-Instructional Services	25,310	
Debt Service:		
Principal	4,410	
Interest	385	
Total Expenditures	<u>5,579,584</u>	<u>349,103</u>
Excess of Revenues Over (Under) Expenditures	<u>(590,009)</u>	<u>12,880</u>
Other Financing Sources and Uses		
Operating Transfer In		27,529
Operating Transfer Out	(52,529)	
Proceeds of Capital Lease Transaction		
Total Other Financing Sources (Uses)	<u>(52,529)</u>	<u>27,529</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(642,538)	40,409
Fund Balance at Beginning of Year	<u>2,345,564</u>	<u>288,487</u>
Fund Balance at End of Year	<u><u>\$1,703,026</u></u>	<u><u>\$328,896</u></u>

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$144,373	\$44,148		1,576,111
	202,124	\$589	394,677
9,411	86,952	400	150,360
			\$9,000
			54,589
			26,617
17,089	6,001,574		9,456,311
			190,553
<u>170,873</u>	<u>6,334,798</u>	<u>989</u>	<u>11,858,218</u>
			2,484,479
			657,646
			105,174
			157,667
	39,620		303,411
			26,581
3,914			497,044
			119,166
	193,360		1,287,322
			250,037
			4,891
		2,791	6,923
			139,587
	7,754,050		7,852,389
	222,169		222,169
			25,310
50,000	144,414		198,824
70,048	872		71,305
<u>123,962</u>	<u>8,354,485</u>	<u>2,791</u>	<u>14,409,925</u>
<u>46,911</u>	<u>(2,019,687)</u>	<u>(1,802)</u>	<u>(2,551,707)</u>
			27,529
			(52,529)
	231,163		231,163
	231,163		206,163
46,911	(1,788,524)	(1,802)	(2,345,544)
82,274	4,153,490	13,218	6,883,033
<u>\$129,185</u>	<u>\$2,364,966</u>	<u>\$11,416</u>	<u>\$4,537,489</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
From Local Sources:			
Taxes	\$1,411,721	\$1,341,092	(\$70,629)
Interest	190,000	187,783	(2,217)
Extracurricular Activities			
Donations			
Charges for Services	9,000	9,000	
Other Local Revenue	34,000	45,059	11,059
Intergovernmental-State	3,313,478	3,369,624	56,146
Intergovernmental-Federal			
Total Revenues	<u>4,958,199</u>	<u>4,952,558</u>	<u>(5,641)</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,628,901	2,455,458	173,443
Special	547,516	490,961	56,555
Vocational	116,502	114,677	1,825
Support services:			
Pupils	147,961	145,654	2,307
Instructional Staff	266,543	226,964	39,579
Board of Education	32,876	26,706	6,170
Administration	509,003	483,987	25,016
Fiscal	127,034	116,743	10,291
Operation and Maintenance of Plant	1,165,909	1,105,703	60,206
Pupil Transportation	336,591	314,853	21,738
Central	2,652	275	2,377
Community Services	52		52
Extracurricular activities	84,263	74,689	9,574
Facilities Services	249,767	173,991	75,776
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>6,215,570</u>	<u>5,730,661</u>	<u>484,909</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,257,371)</u>	<u>(778,103)</u>	<u>479,268</u>
Other Financing Sources and Uses			
Operating Transfer In	20,000		(20,000)
Operating Transfer (out)	(68,745)	(52,529)	16,216
Refund of Prior Year Expenditures		75	75
Total Other Financing Sources (Uses)	<u>(48,745)</u>	<u>(52,454)</u>	<u>(3,709)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,306,116)	(830,557)	475,559
Fund Balances at Beginning of Year	2,257,112	2,257,112	
Prior Year Encumbrances Appropriated	345,789	345,789	
Fund Balance at End of Year	<u><u>\$1,296,785</u></u>	<u><u>\$1,772,344</u></u>	<u><u>\$475,559</u></u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$18,740	\$18,688	(\$52)	\$142,052	\$141,281	(\$771)
3,000	3,102	102			
44,861	42,966	(1,895)			
37,974	37,974				
68,042	68,025	(17)	16,834	17,089	255
92,155	94,137	1,982			
<u>264,772</u>	<u>264,892</u>	<u>120</u>	<u>158,886</u>	<u>158,370</u>	<u>(516)</u>
104,502	92,012	12,490			
89,269	88,580	689			
14,197	12,113	2,084			
44,080	42,127	1,953			
15,200	11,558	3,642	4,034	3,914	120
663	663				
11,420	10,014	1,406			
5,140	4,640	500			
10,843	4,131	6,712			
71,416	65,720	5,696			
			50,000	50,000	
			<u>121,048</u>	<u>70,048</u>	<u>51,000</u>
<u>366,730</u>	<u>331,558</u>	<u>35,172</u>	<u>175,082</u>	<u>123,962</u>	<u>51,120</u>
<u>(101,958)</u>	<u>(66,666)</u>	<u>35,292</u>	<u>(16,196)</u>	<u>34,408</u>	<u>50,604</u>
27,529	27,529				
<u>27,529</u>	<u>27,529</u>				
(74,429)	(39,137)	35,292	(16,196)	34,408	50,604
279,477	279,477		83,690	83,690	
1,146	1,146				
<u>\$206,194</u>	<u>\$241,486</u>	<u>\$35,292</u>	<u>\$67,494</u>	<u>\$118,098</u>	<u>\$50,604</u>

(Continued)

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
From Local Sources:			
Taxes	\$49,690	\$43,217	(\$6,473)
Interest	200,000	202,124	2,124
Extracurricular Activities			
Donations			
Charges for Services			
Other Local Revenue			
Intergovernmental-State	6,070,412	6,001,574	(68,838)
Intergovernmental-Federal			
Total Revenues	<u>6,320,102</u>	<u>6,246,915</u>	<u>(\$73,187)</u>
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Support services:			
Pupils			
Instructional Staff	94,685	94,685	
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant	317,580	317,547	33
Pupil Transportation			
Central			
Community Services			
Extracurricular activities			
Facilities Services	10,866,037	9,755,751	1,110,286
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>11,278,302</u>	<u>10,167,983</u>	<u>1,110,319</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,958,200)</u>	<u>(3,921,068)</u>	<u>1,037,132</u>
Other Financing Sources and Uses			
Operating Transfer In			
Operating Transfer (out)			
Refund of Prior Year Expenditures			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,958,200)	(3,921,068)	1,037,132
Fund Balances at Beginning of Year	2,260,066	2,260,066	
Prior Year Encumbrances Appropriated	<u>2,867,163</u>	<u>2,867,163</u>	
Fund Balance at End of Year	<u><u>\$169,029</u></u>	<u><u>\$1,206,161</u></u>	<u><u>\$1,037,132</u></u>

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

Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)
\$1,622,203	\$1,544,278	(\$77,925)
393,000	393,009	9
44,861	42,966	(1,895)
37,974	37,974	
9,000	9,000	
34,000	45,059	11,059
9,468,766	9,456,312	(12,454)
92,155	94,137	1,982
<u>11,701,959</u>	<u>11,622,735</u>	<u>(79,224)</u>
2,733,403	2,547,470	185,933
636,785	579,541	57,244
116,502	114,677	1,825
162,158	157,767	4,391
405,308	363,776	41,532
32,876	26,706	6,170
528,237	499,459	28,778
127,697	117,406	10,291
1,494,909	1,433,264	61,645
336,591	314,853	21,738
7,792	4,915	2,877
10,895	4,131	6,764
155,679	140,409	15,270
11,115,804	9,929,742	1,186,062
50,000	50,000	
121,048	70,048	51,000
<u>18,035,684</u>	<u>16,354,164</u>	<u>1,681,520</u>
<u>(6,333,725)</u>	<u>(4,731,429)</u>	<u>1,602,296</u>
47,529	27,529	(20,000)
(68,745)	(52,529)	16,216
	75	75
<u>(21,216)</u>	<u>(24,925)</u>	<u>(3,709)</u>
(6,354,941)	(4,756,354)	1,598,587
4,880,345	4,880,345	
3,214,098	3,214,098	
<u>\$1,739,502</u>	<u>\$3,338,089</u>	<u>\$1,598,587</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenses
and Changes in Retained Earnings/Fund Balance
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	Enterprise	Nonexpendable Trust	Totals (Memorandum Only)
Operating Revenues:			
Tuition	\$22,791		\$22,791
Sales	209,191		209,191
Interest Earnings		\$2,078	2,078
Other Operating Revenues		1,411	1,411
Total Operating Revenues	231,982	3,489	235,471
Operating Expenses			
Personal Services	158,100		158,100
Contracted Services	13,258		13,258
Materials and Supplies	150,448		150,448
Depreciation	525		525
Other	1,087	1,681	2,768
Total Operating Expenses	323,418	1,681	325,099
Operating Income (Loss)	(91,436)	1,808	(89,628)
Non-Operating Revenues and Expenses			
Operating Grants	46,833		46,833
Interest	620		620
Property Tax	5,973		5,973
Federal Commodities	13,752		13,752
Miscellaneous	1,680		1,680
Total Non-Operating Revenues and Expenses	68,858		68,858
Net Income (Loss) Before Operating Transfers	(22,578)	1,808	(20,770)
Operating Transfers In	25,000		25,000
Net Income	2,422	1,808	4,230
Retained Earnings/Fund Balance at Beginning of Year	11,575	36,706	48,281
Retained Earnings/Fund Balance at End of Year	\$13,997	\$38,514	\$52,511

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 Fiscal Year Ended June 30, 2001**

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Totals (Memorandum Only)</u>
Increase/(Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Tuition and Fees	\$22,791		\$22,791
Cash Received from Charges for Services	209,191		209,191
Cash Received from Other Operations		\$1,411	1,411
Cash Payments for Personal Services	(161,469)		(161,469)
Cash Payments for Contract Services	(12,872)		(12,872)
Cash Payments for Supplies and Materials	(138,587)		(138,587)
Cash Payments for Other Expenses	(1,087)	(1,681)	(2,768)
Net Cash Used by Operating Activities	<u>(82,033)</u>	<u>(270)</u>	<u>(82,303)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	47,692		47,692
Property and Other Local Taxes	5,857		5,857
Miscellaneous	1,680		1,680
Transfer In	25,000		25,000
Net Cash Provided by Noncapital Financing Activities	<u>80,229</u>		<u>80,229</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	<u>(1,528)</u>		<u>(1,528)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments		(4,014)	(4,014)
Interest Received	620	2,078	2,698
Net Cash Provided (Used) by Investing Activities	<u>620</u>	<u>(1,936)</u>	<u>(1,316)</u>
Net Decrease in Cash and Cash Equivalents	(2,712)	(2,206)	(4,918)
Cash and Cash Equivalents at Beginning of Year	<u>31,385</u>	<u>2,206</u>	<u>33,591</u>
Cash and Cash Equivalents at End of Year	<u><u>\$28,673</u></u>		<u><u>\$28,673</u></u>

(Continued)

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001
(Continued)**

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Totals (Memorandum Only)</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:			
Operating Income (Loss)	(\$91,436)	\$1,808	(\$89,628)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation	525		525
Federal Donated Commodities Used During the Year	13,752		13,752
Interest Reported as Operating Income		(2,078)	(2,078)
Increase in Assets:			
Material and Supplies Inventory	(2,574)		(2,574)
Increase (Decrease) in Liabilities:			
Accounts Payable	(1,012)		(1,012)
Compensated Absences Payable	(641)		(641)
Pension Obligation Payable	(3,479)		(3,479)
Deferred Revenue	2,081		2,081
Accrued Wages and Benefits	751		751
Total Adjustments	<u>9,403</u>	<u>(2,078)</u>	<u>7,325</u>
Net Cash Used by Operating Activities	<u>(\$82,033)</u>	<u>(\$270)</u>	<u>(\$82,303)</u>

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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 one elementary school and one comprehensive high school. The District employs 36 non-certified and 63 certified (including administrative) full-time and part-time employees to provide services to approximately 802 students in grades K through 12 and various community groups, which ranks it 549 out of approximately 682 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

JOINTLY GOVERNED ORGANIZATIONS:

Northwest Ohio Area Computer Services Cooperative

The 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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

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

Vantage Career Center

The Vantage Career Center (the Center), is a distinct political subdivision of the State of Ohio established under Section 3311.18. The Center 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 Center accepts students from the District on a non-tuition basis; however, as a separate legal entity, the Center is not considered to be part of the District.

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

The enterprise funds and nonexpendable trust funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and expendable trust funds. The full accrual basis of accounting is followed for the enterprise funds and nonexpendable trust funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, and interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001, in the following amounts:

	<u>Increase</u>
General Fund	\$1,990,587
Special Revenue	244,393
Debt Service	47,749
Capital Projects	10,419,113
Enterprise	85,599
Expendable Trust	1,545
Nonexpendable	200
Totals	<u>\$12,789,186</u>

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

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

E. Cash and Investments

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

During fiscal 2001, 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.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

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, 2001.

In accordance with Ohio statute, the Board, by resolution, has specified which funds shall receive an allocation of interest earnings. During fiscal 2001, the following fund was credited with more interest revenue than would have been received based upon its share of the District's investments:

	Interest Actually Received	Interest Based upon Share of Investments	Interest Assigned from Other Funds
General	\$188,862	\$133,806	\$55,056
Scholarship in Escrow	3,102	3,038	64

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

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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

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

G. Prepaids

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

2. Proprietary Funds

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

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	5 - 20

I. Intergovernmental Revenues

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

<u>Entitlements</u>	<u>Non-Reimbursable Grants</u>
<u>General Fund</u> State Foundation Program State Property Tax Relief School Bus Purchase Program	<u>Special Revenue Funds</u> Professional Development Block Grant Safe School Help Line Management Information Systems Public School Preschool Title VI-B Summer School Subsidy Eisenhower Grant Drug-Free Schools Ohio Reads Grant Title I Title VI Title VI-R Virtual Middle School SchoolNet Professional Development
<u>Special Revenue Funds</u> State Property Tax Relief	
<u>Debt Service Funds</u> State Property Tax Relief	
<u>Capital Projects Funds</u> State Property Tax Relief	
<u>Enterprise Funds</u> State Property Tax Relief	
<u>Reimbursable Grants</u>	<u>Capital Project Funds</u> SchoolNet Technical Equity Ohio School Facilities Video Distance Learning
<u>General Fund</u> Driver Education	
<u>Proprietary</u> National School Lunch Program	

Grants and entitlements amounted to over 79% of the District's operating revenue during the 2001 fiscal year.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

J. Interfund Transactions

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

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

An analysis of the District's interfund transactions for fiscal year 2001 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. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001 the unspent portion of certain workers' compensation refunds must be set aside at fiscal year end, the District had no such amounts at June 30, 2001.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2000	\$1,913	\$18,037	\$49,031
Current Year Set Aside Requirement	105,378	105,378	
Legislative Reduction			(49,031)
Offset Credit		(61,905)	
Qualifying Expenditures	(133,617)	(61,510)	
Amount Carried Forward to Fiscal Year 2002	(26,326)		
Set Aside Reserve Balance June 30, 2001			

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. Although the District also had qualifying expenditures that reduced the capital improvement set aside amount below zero, there is no authority to use this amount to reduce future set aside requirements.

The District set aside amounts in excess of those required which resulted in the following fund designations at June 30, 2001:

Amount designated for instructional materials	\$107,291
Amount designated for capital maintenance	94,415
Total designated assets	\$201,706

L. Compensated Absences

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

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

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

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

M. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

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

N. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, and tax revenue unavailable for appropriation. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

O. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented, in Exhibit 5, a statement of cash flows for its Proprietary funds and Nonexpendable Trust fund. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

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. 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.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

R. 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. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Fund Reclassification

In prior years the District maintained an internal service fund to account for an employee benefit in which the District paid the employees co-pays and deductibles for prescription drugs. The benefit was funded with money from the General Fund. For fiscal year 2001 the District has accounted for this activity in the General Fund. This change had the following affect on the fund balances as previously reported:

	General Fund	Internal Service Fund
Fund balance as previously reported at June 30, 2000	\$2,340,709	\$4,855
Adjustment	4,855	(4,855)
Adjusted balance at July 1, 2000	\$2,345,564	

This change had the following affect on the excess of revenues over expenditures and net loss as previously reported:

	General Fund	Internal Service Fund
Excess of revenues over expenditures and net loss as previously reported at June 30, 2000	\$343,293	(\$14,548)
Adjustment	(14,548)	14,548
Adjusted balance at July 1, 2000	\$328,745	

C. Deficit Fund Balances

Fund balances at June 30, 2001, included the following individual fund deficit:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

<u>Special Revenue</u>	<u>Deficit Balance</u>
Miscellaneous Federal Grants	(\$5,521)

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

D. Compliance

Although there were no funds with deficit balances at fiscal year end, the following funds were found to have deficit balances sometime during the fiscal year 2001 by a maximum of amounts listed:

<u>Fund</u>	<u>Maximum deficit at anytime throughout FY01</u>
Uniform School Supplies Fund 009	\$(7,944)
Ohio School Facilities Fund 010-9100	(429,614)
Swimming Pool Fund 013	(11,490)
Rotary Fund 014	(1,242)
High School Music Fund 200-9130	(1,802)
Cheerleading Fund 200-9620	(339)
Tech Equity Fund 454	(1,568)
Title I Fund 572-9001	(4,142)
Virtual Middle School Grant Fund 599-9300	(5,500)

Although there were no instances for which expenditures exceeded appropriations at year end, there were 27 instances for which expenditures exceeded appropriations at the fund, function, object legal level of control, prior to year end appropriation modifications, in amounts ranging from \$174 to \$204,515.

Some disbursements did not include prior certification or a then and now certification from the Treasurer. In addition, there were \$222,489 in outstanding purchase commitments at June 30, 2001, that were not certified until fiscal year 2002 and as a result were improperly charged against fiscal year 2002 appropriations.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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.

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(Continued)**

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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 180 days from the date of purchase in an amount not to exceed 25% 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.

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

Cash on Hand: At year-end, the District had \$100 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

Cash with Fiscal Agent: At year-end, \$2,224 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; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year-end, the carrying amount of the District's deposits was \$627,080 and the bank balance was \$724,065 (both amounts include \$326,000 in non-negotiable certificates of deposit). Of the bank balance:

1. \$101,407 was covered by federal deposit insurance; and
2. \$622,658 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 and no load money market mutual funds are unclassified investments since they are not evidenced by securities which exist in physical or book entry form.

	Fair Value
Not Subject to Categorization:	
No Load Mutual Fund	\$205,389
Investment in STAR Ohio	4,622,458
Total Investments	\$4,827,847

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

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**Notes to the General-Purpose Financial Statements
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(Continued)**

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$5,411,251	\$46,000
Investments of the Cash Management Pool:		
STAR Ohio	(4,622,458)	4,622,458
No Load Mutual Fund	(205,389)	205,389
Certificates of Deposit	46,000	(46,000)
Cash on Hand	(100)	
Cash with Fiscal Agent	(2,224)	
	\$627,080	\$4,827,847

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2001:

Fund	Transfers In	Transfers (Out)
General Fund		(\$52,529)
Special Revenue Funds:		
Other Grants	\$27,529	
Enterprise Funds:		
Recreation	25,000	
Total	\$52,529	(\$52,529)

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%.

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$34,987,440	86.58%	\$35,490,410	85.35%
Public Utility Personal Property	3,175,730	7.86%	3,753,800	9.03%
Tangible Personal Property	2,247,465	5.56%	2,336,233	5.62%
Total Assessed Value	\$40,410,635	100.00%	\$41,580,443	100.00%

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

Operations	\$31.75	\$31.00
Debt Service	3.78	3.78
Permanent Improvements	1.40	1.40
Classroom Facilities	.50	.50
Recreation	.25	.25

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, 2001. 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, 2001, are reflected as a reservation of fund balance for future appropriations, for governmental funds. The District is prohibited by law from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001, totaled \$59,790 in the General fund, \$11,087 in the Debt Service fund, \$3,289 in the Permanent Improvements fund, \$1,467 in the Maintenance fund, and \$415 in the Recreation Enterprise fund.

NOTE 7 - INCOME TAX

The District levies a voted tax of 1% for general operations on the income of residents and of estates. The tax was effective January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund, and totaled \$534,608 for fiscal 2001, which includes a receivable of \$173,664 at June 30, 2001.

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees), interest, and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
<u>General Fund</u>	
Taxes - Current and Delinquent	\$1,698,097
 <u>Special Revenue Funds</u>	
Taxes - Current and Delinquent	20,968
Accounts	11,623
Due from other Governments	27,367
 <u>Debt Service Funds</u>	
Taxes - Current and Delinquent	115,030
 <u>Capital Projects Funds</u>	
Taxes - Current and Delinquent	48,873

NOTE 9 - FIXED ASSETS

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

	Balance 7/1/00	Additions	Deletions	Balance 6/30/01
Land/Improvements	\$66,124			\$66,124
Buildings/Improvements	2,423,987		\$20,092	2,403,895
Furniture/Equipment	928,240	\$304,559	12,712	1,220,087
Vehicles	599,494	57,104	25,893	630,705
Construction In Progress	4,349,677	8,363,597		12,713,274
Total	\$8,367,522	\$8,725,260	\$58,697	\$17,034,085

The construction in progress represents an addition to the elementary school and renovations to the high school, which are expected to be completed during fiscal year 2002.

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$97,982
Less: Accumulated Depreciation	(82,398)
Net Fixed Assets	\$15,584

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**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, and in the current year, the District has entered into capitalized leases for the acquisition of computers. The terms of each lease provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$349,444, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$148,824. This amount is reflected as debt service principal retirement in the General fund and the Capital Projects fund. New leases are accounted for as a capital outlay expenditure and other financing source.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2001:

General Long-Term Obligations	
Year Ending June 30	Copiers
2002	\$68,868
2003	68,868
Total Future Minimum Lease Payments	137,736
Less: Amount Representing Interest	(15,701)
Present Value of Future Minimum Lease Payment	\$122,035

The District does not have capitalized lease obligations after fiscal year 2003.

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
School Facilities Construction and Improvement Bonds FY 1999 3.2 - 5.0%	\$1,608,556	\$11,061	\$50,000	\$1,569,617
Compensated Absences Payable	335,373	15,864	15,448	335,789
Pension Obligation Payable	30,289	35,181	30,289	35,181
Capital Lease Payable	39,696	231,163	148,824	122,035
Total General Long-Term Obligations	\$2,013,914	\$293,269	\$244,561	\$2,062,622

School Facilities Construction and Improvement Bonds FY 1999 - On March 30, 1999, the School District issued \$1,644,729 in voted general obligation bonds for constructing a building addition and renovating

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

the current facility. The bond issue includes serial and capital appreciation bonds, in the amount of \$1,605,000 and \$39,729, respectively. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2022. The bonds are being retired through the Bond Retirement debt service fund.

The serial bonds maturing after December 1, 2010, are subject to redemption, at the option of the School District, either in whole or in part, on any interest payment date on or after December 1, 2009, at a redemption price equal to 101 percent and after December 1, 2010 at 100% of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2012 and December 1, 2013, in the amount of \$100,000 each year. For fiscal year 2001, \$11,061 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$64,617 at fiscal year end.

Compensated absences and pension obligation payable, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

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, 2001, are a voted debt margin of \$2,301,808, including available funds of \$129,185 and an unvoted debt margin of \$41,580.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, were as follows:

Fiscal Year Ending June 30	General Obligation Bonds		Interest	Total
	Serial	Capital		
2002	\$55,000		\$68,208	\$123,208
2003	55,000		66,186	121,186
2004	60,000		63,985	123,985
2005	60,000		61,615	121,615
2006	60,000		59,185	119,185
2007-2011	350,000		253,463	603,463
2012-2016	255,000	\$200,000	189,445	644,445
2017-2021	500,000		92,500	592,500
2022	110,000		2,750	112,750
Total	<u>\$1,505,000</u>	<u>\$200,000</u>	<u>\$857,337</u>	<u>\$2,562,337</u>

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 2001, the School District contracted with Grange Mutual Casualty Company for property insurance and fleet insurance and with Wausau Business Insurance Company for liability insurance.

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

Coverage provided by the Districts insurance carriers are as follows:

	<u>Deductible</u>	<u>Coverage</u>
Building and Contents- Replacement cost	\$1,000	\$21,218,157
Inland Marine Coverage (musical instruments)	250	44,849
Automobile Liability		1,000,000
Uninsured Motorists		1,000,000
Medical Payments - per person		3,000
General Liability:		
Per occurrence		2,000,000
Total per year		5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal 2000.

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 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 offers group medical, dental, and prescription insurances to all employees through Medical Mutual of Ohio. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

The District provides a prescription drug benefits to employees. The District pays for the employee's prescriptions and then is reimbursed for all except the employees co-pay and deductible through the employees' insurance coverage. The expenses and related reimbursements are accounted for in the General Fund. The District has no stop loss insurance and has not set a maximum amount payable per beneficiary; however, the District's liability is limited to the employees' unpaid deductible and maximum out of pocket expense.

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

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, 2001.

	Food Services	School Supplies	Recreation	Total
Operating Revenue	\$190,210	\$22,791	\$18,981	\$231,982
Depreciation Expense	300		225	525
Operating Loss	(58,786)	(1,408)	(31,242)	(91,436)
Non-operating revenue:				
Operating Grants	46,210		623	46,833
Donated Federal Commodities	13,752			13,752
Tax Revenue			5,973	5,973
Operating Transfers In			25,000	25,000
Net Income (Loss)	1,796	(1,408)	2,034	2,422
Net Working Capital	(723)	8,385	936	8,598
Total Assets	40,915	8,385	12,708	62,008
Long-Term Liabilities Payable				
from Fund Revenues	10,185			10,185
Total Fund Equity	1,067	8,385	4,545	13,997
Encumbrances at 06/30/01	300	1,825	310	2,435

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. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$24,870, \$40,460, and \$29,115, respectively; 49% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$12,647, which presents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

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 Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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 for STRS. 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% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations, in fiscal year 2000, 6% was used to fund pensions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$245,108, \$157,497, and \$145,387, respectively; 83% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$41,499, which represents the unpaid contribution for fiscal year 2001, 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, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 the 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 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$116,104.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

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

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll. 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 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$70,432 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
Budget Basis	(\$830,557)	(\$39,137)	\$34,408	(\$3,921,068)
Net Adjustment for Revenue Accruals	37,017	97,091	12,503	87,883
Net Adjustment for Expenditure Accruals	(50,007)	(89,632)		238,100
Net Adjustment for Other Financing Sources/(Uses)	(75)			231,163
Adjustment for Encumbrances	201,084	72,087		1,575,398
GAAP Basis	<u>(\$642,538)</u>	<u>\$40,409</u>	<u>\$46,911</u>	<u>(\$1,788,524)</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, 2001.

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 December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 18- OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2001, the District had the following outstanding contractual commitments:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

<u>Purpose</u>	<u>Contractor</u>	<u>Amount</u>
Elementary School Addition	Fanning/Howey Associates	\$435,309
	Peterson Construction	3,371,575
	Woolace Electric	684,123
	Fitzenrider, Inc.	1,031,814
	Ohio Plumbing	284,792
	Vulcan	75,295
	Custom Fabricators	185,210
	Bushong Restaurant	238,114
	Sanyus, Inc.	1,035,610
High School Renovation	Fanning/Howey Associates	441,912
	Mel Lanzer Co.	2,432,207
	Frost Plumbing	1,614,730
	Woolace Electric	859,250
	Armor Fire Protection	147,680
	Ward Construction	292,000
Loose Furnishings/ Technical Equipment	Esquire Data	375,420
	Continental Office Prod.	245,431
	Vaughn Industries	355,837
Miscellaneous	Turner Construction	797,989
	P S I	26,988
	Sarka Electric	19,280
	O P I	265,842
	Wray's	36,000
	Grant Insurance	14,468
	Miscellaneous Vendors	<u>140,026</u>
Total outstanding contractual commitments		15,406,902
Less amount paid as of June 30, 2001		<u>12,718,174</u>
Amount outstanding at June 30, 2001		<u><u>\$2,688,728</u></u>



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Continental Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 28, 2003, in which we disclosed the District reclassified its internal service fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2001-10269-001 through 2001-10269-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 28, 2003.

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 January 28, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 28, 2003

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Schedule of Findings
June 30, 2001**

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

FINDING NUMBER 2001-10269-001

Noncompliance Citation

Ohio Revised Code § 5705.10 states money paid into any fund shall be used only for the purposes for which the fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. Although there were no funds with deficit balances at fiscal year end, the following funds were found to have deficit balances sometime during the fiscal year 2001 by a maximum of amounts listed:

<u>Fund</u>	<u>Maximum deficit at anytime throughout FY01</u>
Uniform School Supplies Fund 009	\$(7,944)
Ohio School Facilities Fund 010-9100	(429,614)
Swimming Pool Fund 013	(11,490)
Rotary Fund 014	(1,242)
High School Music Fund 200-9130	(1,802)
Cheerleading Fund 200-9620	(339)
Tech Equity Fund 454	(1,568)
Title I Fund 572-9001	(4,142)
Virtual Middle School Grant Fund 599-9300	(5,500)

The District should make transfers or advances from the General Fund or reduce planned expenditures as necessary to avoid deficit balances.

FINDING NUMBER 2001-10269-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Although there were no instances for which expenditures exceeded appropriations at year end, the following accounts were found to have expenditures in excess of appropriations prior to year end appropriation modifications:

**FINDING NUMBER 2001-10269-002
(Continued)**

<u>Fund-Function-Object</u>	<u>Appropriations</u>	<u>Expenditures plus Encumbrances</u>	<u>Difference</u>
001-1100-200	\$442,290	\$489,881	(\$47,591)
001-1100-500	86,996	124,792	(37,796)
001-1200-200	38,701	43,929	(5,228)
001-21000-200	19,211	26,459	(7,248)
001-2400-200	87,789	98,424	(10,635)
001-2400-500	17,650	22,775	(5,125)
001-2700-100	143,614	175,871	(32,257)
001-2800-200	35,159	50,102	(14,943)
001-2800-500	37,185	43,735	(6,550)
001-5200-600	100,700	150,024	(49,324)
001-7200-900	18,745	52,529	(33,784)
002-2400-800	3,534	3,914	(380)
006-3100-100	62,846	87,518	(24,672)
006-3100-200	38,659	40,179	(1,520)
006-3100-500	98,343	103,409	(5,066)
010-5300-400	523,184	716,496	(193,312)
010-5300-600	1,652,501	1,857,016	(204,515)
013-3200-500	6,399	9,635	(3,236)
013-3200-600		737	(737)
013-3200-700	1,568	9,000	(7,432)
013-3200-800	546	720	(174)
019-1100-600	5,747	58,008	(52,261)
019-1100-800	2,987	4,051	(1,064)
024-2900-200	3,199	5,972	(2,773)
300-4500-800	10,968	16,064	(5,096)
450-2200-600	8	8,294	(8,286)
459-2200-500	439	2,370	(1,931)

The Treasurer should not issue purchase orders or checks for expenditures that would exceed appropriations. The Treasurer should inform the Board of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Board should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

FINDING NUMBER 2001-10269-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

**FINDING NUMBER 2001-10269-003
(Continued)**

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Board may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Eight percent of the transactions tested did not include prior certification or a then and now certification from the Treasurer. In addition, there were \$222,489 in outstanding purchase commitments at June 30, 2001, that were not certified until fiscal year 2002 and as a result were improperly charged against fiscal year 2002 appropriations. The accompanying financial statements have been adjusted to show this amount as a fiscal year 2001 commitment in the capital projects fund type.

Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of District funds being over expended. To improve controls over disbursements we recommend all District disbursements receive prior certification of the Treasurer and the Board periodically review the expenditures made to ensure they are properly certified by the Treasurer and recorded against appropriations.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Schedule of Prior Audit Findings
June 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10269-001	ORC § 5705.10 Deficit fund balances	No	This finding has been repeated in this report as finding number 2001-10269-001.
2000-10269-002	ORC § 5705.41 (B) Expenditures exceeding appropriations.	No	This finding has been repeated in this report as finding number 2001-10269-002.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MARCH 11, 2003**