



**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Continental Local School District, Putnam County, (the District) as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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.

During fiscal year 2007, the District changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits for entities not required to report in accordance with accounting principles generally accepted in the United States of America.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the years ended June 30, 2008 and 2007, in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

January 14, 2009

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$1,920,243	\$19,803	\$103,680	\$46,436	\$2,090,162
Intergovernmental	3,734,591	211,787	14,881	6,427	3,967,686
Tuition	206,907				206,907
Earnings on investments	99,745	1,643			101,388
Transportation Fees	2,783				2,783
Extracurricular Activities		67,725			67,725
Classroom Materials and Fees	24,203	4,920			29,123
Donations		69,647			69,647
Miscellaneous	40,796	3,769			44,565
Total cash receipts	<u>6,029,268</u>	<u>379,294</u>	<u>118,561</u>	<u>52,863</u>	<u>6,579,986</u>
Cash disbursements:					
Instruction:					
Regular	2,401,360	112,250			2,513,610
Special	671,081	132,628			803,709
Vocational Education	122,154				122,154
Other Instruction	20,141				20,141
Supporting Services:					
Pupils	104,386	9,412			113,798
Instructional Staff	129,324	17,592			146,916
Board of Education	114,270				114,270
Administration	429,909	21,669	1,581		453,159
Fiscal Services	126,266	361	1,892	841	129,360
Operation and Maintenance of Plant	650,744	59,219		81,977	791,940
Pupil Transportation	262,724				262,724
Central	18,713	835			19,548
Non-Instructional Services		5,791			5,791
Extracurricular Activities	86,693	68,839			155,532
Facilities Acquisition and Construction				587	587
Debt Service:					
Principal Retirement			70,000		70,000
Interest and Fiscal Charges			53,770		53,770
Total cash disbursements	<u>5,137,765</u>	<u>428,596</u>	<u>127,243</u>	<u>83,405</u>	<u>5,777,009</u>
Total cash receipts over/(under) cash disbursements	891,503	(49,302)	(8,682)	(30,542)	802,977
Other financing receipts/disbursements:					
Transfers-In	2,264	104,188			106,452
Transfers-Out	(125,086)	(2,264)			(127,350)
Advances-In	16,127				16,127
Advances-Out		(86)			(86)
Refund of Prior Year Expenditures	25				25
Total other financing receipts/(disbursements)	<u>(106,670)</u>	<u>101,838</u>			<u>(4,832)</u>
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	784,833	52,536	(8,682)	(30,542)	798,145
Fund cash balances, July 1	1,592,711	315,501	109,728	154,884	2,172,824
Fund cash balances, June 30	<u>\$2,377,544</u>	<u>\$368,037</u>	<u>\$101,046</u>	<u>\$124,342</u>	<u>\$2,970,969</u>
Reserves for encumbrances, June 30	<u>\$11,915</u>	<u>\$5,327</u>			<u>\$17,242</u>

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Food Services	\$141,992		\$141,992
Extracurricular Activities		\$67,277	67,277
Miscellaneous		400	400
	<u>141,992</u>	<u>67,677</u>	<u>209,669</u>
Operating cash disbursements:			
Personal Services	85,050	793	85,843
Employees Retirement and Insurance	56,440	115	56,555
Purchased Services	2,138	1,851	3,989
Supplies and Materials	95,292		95,292
Capital Outlay	609		609
Other Operating Expenses	549	71,424	71,973
	<u>240,078</u>	<u>74,183</u>	<u>314,261</u>
Operating loss	<u>(98,086)</u>	<u>(6,506)</u>	<u>(104,592)</u>
Non-operating cash receipts:			
Intergovernmental receipts	75,943		75,943
Taxes	6,198		6,198
Earnings on Investments	7		7
Miscellaneous		1,693	1,693
	<u>82,148</u>	<u>1,693</u>	<u>83,841</u>
Excess of disbursements over receipts before interfund transfers and advances	(15,938)	(4,813)	(20,751)
Transfers-In	20,898		20,898
Advances-Out	<u>(16,041)</u>		<u>(16,041)</u>
Net cash disbursements over cash receipts	(11,081)	(4,813)	(15,894)
Fund cash balances, July 1	<u>11,081</u>	<u>40,228</u>	<u>51,309</u>
Fund cash balances, June 30	<u><u> </u></u>	<u><u>\$35,415</u></u>	<u><u>\$35,415</u></u>
Reserve for encumbrances, June 30	<u><u>\$30</u></u>	<u><u>\$890</u></u>	<u><u>\$920</u></u>

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$1,703,009	\$19,115	\$99,866	\$44,659	\$1,866,649
Intergovernmental	3,716,579	227,292	12,329	5,294	3,961,494
Tuition	220,336				220,336
Earnings on investments	98,681	2,572			101,253
Transportation Fees	12,737				12,737
Extracurricular Activities	17,875	60,962			78,837
Classroom Materials and Fees	23,950				23,950
Donations		56,304			56,304
Miscellaneous	20,610	1,000			21,610
Total cash receipts	<u>5,813,777</u>	<u>367,245</u>	<u>112,195</u>	<u>49,953</u>	<u>6,343,170</u>
Cash disbursements:					
Instruction:					
Regular	2,482,651	108,225			2,590,876
Special	697,780	115,651			813,431
Vocational Education	108,251				108,251
Other Instruction	16,368	14,208			30,576
Supporting Services:					
Pupils	117,949	8,696			126,645
Instructional Staff	125,421	22,972			148,393
Board of Education	93,132				93,132
Administration	426,290	17,554	2,704		446,548
Fiscal Services	105,947				105,947
Operation and Maintenance of Plant	599,978	142,235		32,769	774,982
Pupil Transportation	274,373				274,373
Central	18,766	3,808			22,574
Non-Instructional Services		21,995			21,995
Extracurricular Activities	72,401	60,263			132,664
Facilities Acquisition and Construction				1,087	1,087
Debt Service:					
Principal Retirement			65,000		65,000
Interest and Fiscal Charges			56,606		56,606
Total cash disbursements	<u>5,139,307</u>	<u>515,607</u>	<u>124,310</u>	<u>33,856</u>	<u>5,813,080</u>
Total cash receipts over/(under) cash disbursements	674,470	(148,362)	(12,115)	16,097	530,090
Other financing receipts/disbursements:					
Transfers-In		48,057			48,057
Transfers-Out	(59,684)	(92)			(59,776)
Advances-In	11,474	86			11,560
Advances-Out	(86)	(11,474)			(11,560)
Refund of Prior Year Receipts		(16)			(16)
Refund of Prior Year Expenditures	450	174			624
Total other financing receipts/(disbursements)	<u>(47,846)</u>	<u>36,735</u>			<u>(11,111)</u>
Excess of cash receipts over/(under) cash disbursements and other financing disbursements	626,624	(111,627)	(12,115)	16,097	518,979
Fund cash balances, July 1	<u>966,087</u>	<u>427,128</u>	<u>121,843</u>	<u>138,787</u>	<u>1,653,845</u>
Fund cash balances, June 30	<u>\$1,592,711</u>	<u>\$315,501</u>	<u>\$109,728</u>	<u>\$154,884</u>	<u>\$2,172,824</u>
Reserves for encumbrances, June 30	<u>\$102,145</u>	<u>\$21,692</u>		<u>\$68,554</u>	<u>\$192,391</u>

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Food Services	\$153,483		\$153,483
Extracurricular Activities		\$92,845	92,845
Miscellaneous		400	400
	<u>153,483</u>	<u>93,245</u>	<u>246,728</u>
Operating cash disbursements:			
Personal Services	83,757	1,417	85,174
Employees Retirement and Insurance	54,879	153	55,032
Purchased Services	1,001		1,001
Supplies and Materials	89,395		89,395
Capital Outlay	7,950		7,950
Other Operating Expenses	573	95,998	96,571
	<u>237,555</u>	<u>97,568</u>	<u>335,123</u>
Total operating cash disbursements			
Operating loss	<u>(84,072)</u>	<u>(4,323)</u>	<u>(88,395)</u>
Non-operating cash receipts:			
Intergovernmental receipts	61,790		61,790
Taxes	5,984		5,984
Earnings on Investments	197		197
Refund of Prior Year Expenditures		109	109
	<u>67,971</u>	<u>109</u>	<u>68,080</u>
Total non-operating cash receipts			
Excess of disbursements over receipts before interfund transfers	(16,101)	(4,214)	(20,315)
Transfers-In	<u>11,719</u>		<u>11,719</u>
Net cash disbursements over cash receipts	(4,382)	(4,214)	(8,596)
Fund cash balances, July 1	<u>15,463</u>	<u>44,442</u>	<u>59,905</u>
Fund cash balances, June 30	<u>\$11,081</u>	<u>\$40,228</u>	<u>\$51,309</u>
Reserve for encumbrances, June 30	<u>\$180</u>	<u>\$131</u>	<u>\$311</u>

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1928 through the consolidation of existing land areas and school districts. The District serves an area of approximately 74 square miles. It is located in Putnam County and includes the entire Village of Continental, and all or portions of Greensburg, Jackson, Monroe, Palmer and Perry Townships, and the Villages of Cloverdale and Dupont. The District employs 26 non-certified and 45 certified (including administrative) full-time and part-time employees to provide services to approximately 616 students in grades K through 12 and various community groups. The District currently operates 1 elementary school and 1 middle/high school.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The District participates in five jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 8 and 14 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Northwest Ohio Special Education Regional Resource Center
Northwestern Ohio Educational Research Council, Inc.
Vantage Career Center
West Central Regional Professional Development Center

Public Entity Risk Pools:

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

B. Fund Accounting

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

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

GOVERNMENTAL FUND TYPES

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

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

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

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

Capital Projects Funds – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

PROPRIETARY FUND TYPE

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

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

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency funds.

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Cash and Investments

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

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

During fiscal year 2008 and 2007, the District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2(a)7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008 and 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 was \$99,745, which included \$11,919 assigned from other District funds, and during fiscal year 2007 was \$98,681, which included \$30,693 assigned from other District funds.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

M. Interfund Transactions

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

N. Total Columns on Financial Statements

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

NOTE 3 – COMPLIANCE

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

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2008, \$1,329,986 of the District's bank balance of \$1,430,721 and at June 30, 2007, \$1,046,033 of the District's bank balance of \$1,217,362 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2008 and 2007, the District had investments with STAR Ohio with a carrying balance of \$1,612,177 and \$1,066,932, respectively.

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

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2008 and June 30, 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,799,498	\$6,031,557	\$232,059
Special Revenue	478,146	483,482	5,336
Debt Service	112,992	118,561	5,569
Capital Projects	50,041	52,863	2,822
Enterprise	252,628	245,038	(7,590)
Total	\$6,693,305	\$6,931,501	\$238,196

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 5 – BUDGETARY ACTIVITY – (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,549,329	\$5,274,766	\$274,563
Special Revenue	502,969	436,187	66,782
Debt Service	127,244	127,243	1
Capital Projects	83,933	83,405	528
Enterprise	263,407	240,108	23,299
Total	<u>\$6,526,882</u>	<u>\$6,161,709</u>	<u>\$365,173</u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,790,822	\$5,814,227	\$23,405
Special Revenue	441,049	415,476	(25,573)
Debt Service	113,341	112,195	(1,146)
Capital Projects	51,583	49,953	(1,630)
Enterprise	233,420	233,173	(247)
Total	<u>\$6,630,215</u>	<u>\$6,625,024</u>	<u>(\$5,191)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,614,633	\$5,301,136	\$313,497
Special Revenue	594,296	537,407	56,889
Debt Service	124,306	124,310	(4)
Capital Projects	46,311	102,410	(56,099)
Enterprise	231,151	237,735	(6,584)
Total	<u>\$6,610,697</u>	<u>\$6,302,998</u>	<u>\$307,699</u>

NOTE 6 – PROPERTY TAXES

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 6 – PROPERTY TAXES – (CONTINUED)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar years 2008 and 2007 represent the collection of calendar years 2007 and 2006 taxes. Real property taxes received in calendar years 2008 and 2007 were levied after April 1, 2007 and 2006, on the assessed values as of January 1, 2007 and 2006, respectively, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar years 2008 and 2007 represent the collection of calendar years 2007 and 2006 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2008 and 2007 became a lien on December 31, 2006 and 2005, respectively, were levied after April 1, 2007 and 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar years 2008 and 2007 (other than public utility property) represent the collection of calendar years 2008 and 2007 taxes, respectively. Tangible personal property taxes received in calendar years 2008 and 2007 were levied after April 1, 2007 and 2006, respectively, on the value as of December 31, 2007 and 2006, respectively. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2008 and 2007 are available to finance fiscal years 2008 and 2007 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$38,289,770	85%	\$38,918,880	87%
Industrial/Commercial	2,520,730	6%	2,656,610	6%
Public Utility Property	2,834,240	6%	2,351,000	5%
Tangible Personal Property	1,274,110	3%	788,500	2%
Total Assessed Value	<u>\$44,918,850</u>	<u>100%</u>	<u>\$44,714,990</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	35.65		35.65	

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 6 – PROPERTY TAXES – (CONTINUED)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$37,828,730	84%	\$38,289,770	85%
Industrial/Commercial	2,361,040	5%	2,520,730	6%
Public Utility Property	3,047,920	7%	2,834,240	6%
Tangible Personal Property	1,859,736	4%	1,274,110	3%
Total Assessed Value	<u>\$45,097,426</u>	100%	<u>\$44,918,850</u>	100%
Tax rate per \$1,000 of assessed valuation	35.65		35.65	

NOTE 7 – INCOME TAXES

The District levies a voted tax of 1% for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

In February 2005, the voters approved an additional .5% income tax for general operations. The levy is effective January 1, 2006, and expires on December 31, 2011.

NOTE 8 – RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 75 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

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

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 8 – RISK MANAGEMENT – (CONTINUED)

The District paid \$45,411 in premiums to the pool for fiscal year 2008 coverage and the District paid \$44,961 in premiums to the pool for fiscal year 2007 coverage.

SORSA financial statements are available by contacting SORSA at:

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

B. Employee Medical Benefits

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

C. Workers' Compensation

For fiscal years 2008 and 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$302,312, \$305,155, and \$324,089 respectively; 85.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$56,703, \$59,846 and \$80,085 respectively; 51.22 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, all five members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008 and 2007, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$34,692, \$28,439, and \$64,341 respectively; 63.62 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS – (CONTINUED)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$4,086, \$4,070, and \$4,462 respectively; 51.22 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$23,255, \$23,473, and \$23,149 respectively; 85.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 11 – DEBT

The changes in the District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Reductions	Principal Outstanding 6/30/07	Amounts Due in One Year
<u>General Obligation Bonds:</u>				
General obligation bonds	\$1,215,000	\$65,000	\$1,150,000	\$70,000
Capital appreciation bonds	39,729		39,729	
Total General Obligation Bonds	<u>\$1,254,729</u>	<u>\$65,000</u>	<u>\$1,189,729</u>	<u>\$70,000</u>

The changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Reductions	Principal Outstanding 6/30/08	Amounts Due in One Year
<u>General Obligation Bonds:</u>				
General obligation bonds	\$1,150,000	\$70,000	\$1,080,000	\$70,000
Capital appreciation bonds	39,729		39,729	
Total General Obligation Bonds	<u>\$1,189,729</u>	<u>\$70,000</u>	<u>\$1,119,729</u>	<u>\$70,000</u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 11 – DEBT – (CONTINUED)

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

The Series 1999 school improvement general obligation bond issue is comprised of both current interest bonds, par value \$1,605,000, and capital appreciation bonds, par value \$39,729. The capital appreciation bonds mature on December 1, 2012-2013, at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The current interest bonds maturing on or after December 1, 2009, are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Date</u>	<u>Redemption Price</u>
December 1, 2009 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1, and December 1 of each year. The final maturity stated in the issue is December 1, 2021.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2008 are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds – 1999 Issue</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$70,000	\$50,778	\$120,778			
2010	70,000	47,750	117,750			
2011	75,000	44,558	119,558			
2012	80,000	41,070	121,070	\$20,997	\$39,250	\$60,247
2013				18,732	39,250	57,982
2014-2018	360,000	121,750	481,750			
2019-2022	425,000	43,375	468,375			
Total	<u>\$1,080,000</u>	<u>\$349,281</u>	<u>\$1,429,281</u>	<u>\$39,729</u>	<u>\$78,500</u>	<u>\$118,229</u>

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$2,904,620 and an unvoted debt margin of \$44,715.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 12 – SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the 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 fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$105,589)	\$37,457
Current Year Set Aside Requirement	90,946	90,946
Current Year Offsets		(63,485)
Qualifying Cash Disbursements	(34,992)	(64,918)
Set Aside Reserve Balance June 30, 2007	(\$49,635)	

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	(\$49,635)	
Current Year Set Aside Requirement	95,085	\$95,085
Current Year Offsets		(66,239)
Qualifying Cash Disbursements	(45,701)	(28,846)
Set Aside Reserve Balance June 30, 2008	(\$251)	

The District had qualifying cash disbursements during the fiscal years that reduced the textbooks and capital improvements set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

NOTE 13 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008 and 2007.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 13 – CONTINGENCIES – (CONTINUED)

B. Litigation

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

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

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

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

B. Vantage Career Center

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

C. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulate regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Greg Spiess, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

D. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Michel, Eastwood Local Schools, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

E. Northwestern Ohio Educational Research Council, Inc.

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



Mary Taylor, CPA
Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of Continental Local School District, Putnam County, (the District) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated January 14, 2009, wherein we issued an adverse opinion on the District's financial statements because the District began preparing its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated January 14, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 14, 2009.

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

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 14, 2009

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Finding

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

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Officials' Response

The Board of Education and management of the District are knowledgeable concerning the required reporting format (GASB 34 / Generally Accepted Accounting Principles) and the similarities and differences from the required reporting format and the method currently incorporated by the District (Cash Basis of Accounting). District personnel considered the cost-benefit of the two reporting formats and determined reporting on the Cash Basis of Accounting format to be the more fiscally responsible format at this time.

FINDING NUMBER 2008-002

Material Weakness

Monitoring Financial Statements

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The fiscal year 2008 and 2007 financial statements contained material errors, such as the following:

- The following funds were misclassified as indicated:
 - Flowers Fund 007-9084 was posted as a Special Revenue Fund when it should have been reported as an Agency Fund,
 - OSFC Maintenance Fund 034 was posted as a Capital Project Fund when it should have been reported as a Special Revenue Fund,
 - Coke Contract Fund 029-0000 was posted as an Agency Fund when it should have been reported as a Special Revenue Fund, and
 - Scholarship Fund 008 was posted as a Nonexpendable Trust Fund when it should have been reported as a Special Revenue Fund.

- Intrafund transfers in the General Fund of \$130,000 were not eliminated for fiscal year 2008.

Twenty-six adjusting entries ranging in amounts from \$9 to \$234,975 were posted to the financial statements to correct these and other errors. The financial statements presented have been adjusted to reflect these corrections.

To ensure the District's financial statements and notes to the statements are complete and accurate, we recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform School Accounting System issued by the Auditor of State. Furthermore, the Board should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions.

Officials' Response

The Board of Education and management of the District are knowledgeable of the Uniform School Accounting System and post transactions in accordance with the guidance established by the Uniform School Accounting System issued by the Auditor of State as recommended above. The adjustments noted above are a result of the state computer software not properly converting the detailed transactions into the proper classifications for the combined financial statements. The District will continue to post all transaction in accordance with the guidance established by the Uniform School Accounting System issued by the Auditor of State as was completed for this audit.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code §117.38 reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2008-001.
2006-002	ORC §5705.41(D)(1) not properly certifying disbursements.	Yes	



Mary Taylor, CPA
Auditor of State

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2009**