



Dave Yost • Auditor of State

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Continental Local School District, Putnam County, Ohio (the District), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Continental Local School District, Putnam County, Ohio, as of June 30, 2015 and 2014, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the fiscal year 2014 financial statements, during fiscal year 2014, the District has elected to change its financial presentation to a cash basis comparable to the requirements of Governmental Accounting Standards No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We did not modify our opinion regarding this matter.

As discussed in Note 3 to the fiscal year 2014 financial statements, during fiscal year 2014, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 12, 2016

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$4,508,084</u></u>
Net Position:	
Restricted for:	
Capital Projects	\$221,652
Debt Service	195,305
Other Purposes	636,092
Unrestricted	3,455,035
Total Net Position	<u><u>\$4,508,084</u></u>

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Program Receipts Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Position</u>
				<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$3,008,909	\$277,779		(\$2,731,130)
Special	1,105,558		\$215,224	(890,334)
Vocational	103,443		36,375	(67,068)
Support Services:				
Pupil	243,090		11,980	(231,110)
Instructional Staff	161,940		18,758	(143,182)
Board of Education	34,768			(34,768)
Administration	383,071			(383,071)
Fiscal	156,425		1,316	(155,109)
Operation and Maintenance of Plant	645,733		26,416	(619,317)
Pupil Transportation	267,731	5,598		(262,133)
Central	12,635			(12,635)
Operation of Non-Instructional Services	252,428	114,657	105,861	(31,910)
Extracurricular Activities	155,245	74,391		(80,854)
Capital Outlay	182,745			(182,745)
Debt Service:				
Principal Retirement	120,329			(120,329)
Interest and Fiscal Charges	22,277			(22,277)
Total Governmental Activities	<u>\$6,856,327</u>	<u>\$472,425</u>	<u>\$415,930</u>	<u>(5,967,972)</u>
General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,363,118
Property Taxes, Levied for Debt Service				137,381
Property Taxes, Levied for Other				79,119
Income Taxes				683,434
Grants and Entitlements not Restricted to Specific Programs				3,664,517
Gifts and Donations				51,019
Interest				12,958
Miscellaneous				23,720
Proceeds from Sale of Capital Assets				125
Refund of Prior Year Expenditures				439
Advance In				1,791
Total General Receipts				<u>6,017,621</u>
Change in Net Position				49,649
Net Position Beginning of Year				4,458,435
Net Position End of Year				<u>\$4,508,084</u>

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,455,035	\$195,305	\$857,744	\$4,508,084
Fund Balances:				
Restricted		\$195,305	\$857,744	\$1,053,049
Assigned	\$543,602			543,602
Unassigned	2,911,433			2,911,433
Total Fund Balances	\$3,455,035	\$195,305	\$857,744	\$4,508,084

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
RECEIPTS:				
Property Taxes	\$1,363,118	\$137,381	\$79,119	\$1,579,618
Income Taxes	683,434			683,434
Intergovernmental	3,672,334	19,850	388,263	4,080,447
Interest	12,789		169	12,958
Tuition and Fees	269,329			269,329
Transportation Fees	5,598			5,598
Rent	8,450			8,450
Extracurricular Activities	17,376		57,015	74,391
Gifts and Donations	75		50,944	51,019
Customer Sales and Service			114,657	114,657
Miscellaneous	23,720			23,720
Total Receipts	<u>6,056,223</u>	<u>157,231</u>	<u>690,167</u>	<u>6,903,621</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,903,662		105,247	3,008,909
Special	878,354		227,204	1,105,558
Vocational	103,443			103,443
Support Services:				
Pupil	242,883		207	243,090
Instructional Staff	158,211		3,729	161,940
Board of Education	34,768			34,768
Administration	383,071			383,071
Fiscal	150,297	3,874	2,254	156,425
Operation and Maintenance of Plant	629,939		15,794	645,733
Pupil Transportation	267,731			267,731
Central	12,635			12,635
Operation of Non-Instructional Services			252,428	252,428
Extracurricular Activities	92,529		62,716	155,245
Capital Outlay	182,745			182,745
Debt Service:				
Principal Retirement	25,329	95,000		120,329
Interest and Fiscal Charges	1,467	20,810		22,277
Total Disbursements	<u>6,067,064</u>	<u>119,684</u>	<u>669,579</u>	<u>6,856,327</u>
Excess of Receipts Over (Under) Disbursements	<u>(10,841)</u>	<u>37,547</u>	<u>20,588</u>	<u>47,294</u>
Other Financing Sources and (Uses):				
Transfers In			171,542	171,542
Transfers Out	(171,542)			(171,542)
Sale of Fixed Assets	125			125
Advances-In	19,946		14,853	34,799
Advances-Out	(14,853)		(18,155)	(33,008)
Refund of Prior Year Expenditures	439			439
Total Other Financing Sources and (Uses)	<u>(165,885)</u>		<u>168,240</u>	<u>2,355</u>
Net Change in Fund Balances	<u>(176,726)</u>	<u>37,547</u>	<u>188,828</u>	<u>49,649</u>
Fund Balances at Beginning of Year	<u>3,631,761</u>	<u>157,758</u>	<u>668,916</u>	<u>4,458,435</u>
Fund Balances at End of Year	<u><u>\$3,455,035</u></u>	<u><u>\$195,305</u></u>	<u><u>\$857,744</u></u>	<u><u>\$4,508,084</u></u>

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
RECEIPTS:				
Property Taxes	\$1,029,318	\$1,399,393	\$1,363,118	(\$36,275)
Income Tax	697,145	697,145	683,434	(13,711)
Intergovernmental	3,654,479	3,654,479	3,672,334	17,855
Interest	10,000	10,000	12,789	2,789
Tuition and Fees	103,953	103,953	269,329	165,376
Transportation Fees	6,000	6,000	5,598	(402)
Rent	50	50	8,450	8,400
Gifts and Donations			75	75
Miscellaneous	20,000	20,000	23,720	3,720
Total Receipts	<u>5,520,945</u>	<u>5,891,020</u>	<u>6,038,847</u>	<u>147,827</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,897,139	2,897,139	2,903,662	(6,523)
Special	600,533	770,533	878,354	(107,821)
Vocational	108,535	108,536	103,443	5,093
Support Services:				
Pupils	247,099	247,099	242,883	4,216
Instructional Staff	165,439	165,439	161,494	3,945
Board of Education	38,128	38,128	34,768	3,360
Administration	377,095	377,095	365,450	11,645
Fiscal	149,989	149,989	150,297	(308)
Operation and Maintenance of Plant	674,892	674,892	634,589	40,303
Pupil Transportation	287,684	287,684	267,731	19,953
Central	18,600	18,600	12,635	5,965
Extracurricular Activities:	102,337	102,337	92,529	9,808
Capital Outlay	500,000	630,000	364,897	265,103
Debt Service:				
Principal Retirement	25,330	25,330	25,329	1
Interest	1,467	1,467	1,467	
Total Disbursements	<u>6,194,267</u>	<u>6,494,268</u>	<u>6,239,528</u>	<u>254,740</u>
Excess of Disbursements Over Receipts	<u>(673,322)</u>	<u>(603,248)</u>	<u>(200,681)</u>	<u>402,567</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers Out	(18,175)	(18,175)	(171,542)	(153,367)
Sale of Fixed Asset			125	125
Advances In	13,302	13,302	19,946	6,644
Advances Out	(10,000)	(10,000)	(14,853)	(4,853)
Refund of Prior Year Disbursements			439	439
Total Other Financing Sources and (Uses)	<u>(14,873)</u>	<u>(14,873)</u>	<u>(165,885)</u>	<u>(151,012)</u>
Net Change in Fund Balance	(688,195)	(618,121)	(366,566)	251,555
Fund Balance at Beginning of Year	3,626,300	3,626,300	3,626,300	
Prior Year Encumbrances Appropriated	1,825	1,825	1,825	
Fund Balance at End of Year	<u>\$2,939,930</u>	<u>\$3,010,004</u>	<u>\$3,261,559</u>	<u>\$251,555</u>

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
JUNE 30, 2015**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$48,924</u></u>
Liabilities	
Current Liabilities:	
Undistributed Monies	<u><u>\$48,924</u></u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 24 non-certified and 42 certified (including administrative) full-time and part-time employees to provide services to approximately 461 students in grades K through 12 and various community groups. The District currently operates 1 elementary school and 1 junior high/high school.

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

A. Primary Government

The primary government of the District 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.

B. Component Units

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. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The District does not have any component units.

C. Other Organizations

The District participates in 3 public entity risk pools and 4 jointly governed organizations. 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 16 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pools:

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Jointly Governed Organizations:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a Governmental Accounting Standards board acceptable reporting comprehensive basis of accounting other than generally accepted accounting principles.

The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The District recognizes receipts when received in cash rather than when earned and recognizes disbursements 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). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

General Fund – The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Bond Retirement Fund – The Bond Retirement Fund accounts for resources received from property taxes to pay school improvement general obligation bond principal, interest and related costs.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Fiduciary: The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Presentation

The District's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

Government-wide Financial Statement of Activities: This statement displays information about the District as a whole, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

Fund Financial Statements: Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary Funds are reported by type.

D. 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 presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they were purchased by the District are presented on the financial statements as cash equivalents. Investments with a maturity of more than three months that were not purchased from the pool are reported as investments.

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 2015, 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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

STAR Ohio Plus is an FDIC-insured investment program that has been fully reviewed and endorsed by the State Treasurer of Ohio. The program offers attractive yields with no market or credit risk and weekly liquidity with penalty free withdrawals. Participants in STAR Ohio Plus must be participating in STAR Ohio.

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 2015 was \$12,789, which included \$2,922 assigned from other District funds.

E. 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.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Compensated Absences

In certain circumstances, such as upon leaving employment, 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.

I. Long-term Obligations

The District's cash basis financial statements do 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.

J. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

K. Net Position

The statements report restricted net position when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

L. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

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The statements report interfund loans as advances when made or repaid. There were no unpaid advances as of June 30, 2015.

M. Budgetary Data

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Education uses the fund as its legal level of control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the General Fund budgetary statement comparison at the fund and function level.

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

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.

O. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71,

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“Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68”.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District’s pension plan disclosures, as presented in Note 9 of the financial statements.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

B. Compliance

Ohio Administrative Code, Section 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 cash 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 position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance (Budgetary Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$190,085 in the General Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in a separate special revenue fund (public school support funds) is considered part of the General Fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General fund:

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Net Change in Fund Cash Balance	
	General Fund
Cash Basis	(\$176,726)
Funds Budgeted Elsewhere	245
Adjustment for Encumbrances	(190,085)
Budget Basis	(\$366,566)

NOTE 5 - 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.

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 held by the District 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 two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

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(Continued)**

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

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

Deposits

Custodial credit risk for deposits 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, 2015, \$1,321,128 of the District's bank balance of \$4,593,635 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.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes.

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Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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. Public utility property taxes are payable on the same dates as real property taxes described previously.

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 County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2015 First Half Collections		2014 Second Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural	\$75,051,910	88.18%	\$53,693,790	91.56%
Commercial/Industrial	2,389,020	2.81%	2,415,310	4.12%
Public Utility	<u>7,674,250</u>	<u>9.02%</u>	<u>2,536,340</u>	<u>4.32%</u>
Total	<u><u>\$85,115,180</u></u>	<u><u>100%</u></u>	<u><u>\$58,645,440</u></u>	<u><u>100%</u></u>
Tax rate per \$1,000 of assessed valuation	\$35.15		\$35.45	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax was effective January 1, 1991 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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 99 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
- Automobile Liability
- School Officials Errors and Omissions
- Property
- Crime

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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 contributions, insurance costs, and administration costs.

The District paid \$64,384 in premiums to the pool for fiscal year 2015 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 43235-6483

B. Employee Medical Benefits

The District participates as a member of the Putnam County School Insurance Group (the Group), a public entity risk pool, administered by Huntington Trust. 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 year 2015 the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), via Comp. Management 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 - PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions -- between an employer and its employees -- of salaries and benefits for employee services. Pensions are provided to an employee -- on a deferred-

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(Continued)**

payment basis — as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – the District's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$95,594 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – the District's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

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The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$313,248 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,077,525	\$5,378,983	\$6,456,508
Proportion of the Net Pension Liability	0.021291%	0.0221144%	

Actuarial Assumptions - SERS

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SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	
US Stocks	22.50	5.00 %
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$1,537,309	\$1,077,525	\$690,808

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, or later, 2 percent COLA paid on fifth anniversary of retirement date

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$7,700,600	\$5,378,983	\$3,415,675

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, 2015, all five Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 – POST EMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$12,220.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$18,521, \$11,799, and \$10,685, respectively. For fiscal year 2015, 84 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$5,686, \$4,742 and \$4,787, respectively; 84 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$23,404, and \$23,757 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 11 – DEBT

The changes in the District's debt obligations during the year consist of the following:

	<u>Balance at 06/30/14</u>	<u>Decrease</u>	<u>Balance at 06/30/15</u>	<u>Amount Due In one Year</u>
General Obligation Bonds:				
General Obligation Bonds - 2010	\$705,000	\$95,000	\$610,000	
Capital Appreciation Bonds - 2010	29,999		29,999	\$29,999
Total Long-Term Obligations	<u>\$734,999</u>	<u>\$95,000</u>	<u>\$639,999</u>	<u>\$29,999</u>

2010 School Improvement Refunding Bonds of 1999 Bonds – Proceeds from the outstanding bonds were used for the purpose of refunding general obligation bonds, dated March 30, 1999, which were issued for

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

the purpose of constructing and renovating school facilities. The bonds were issued on February 24, 2010. The bonds consisted of \$585,000 in current interest serial bonds and \$325,000 in term bonds and \$29,999, in capital appreciation bonds. This refunding was undertaken to reduce total debt service payments over the next 11 years by \$71,688 and resulted in an economic gain of \$72,333.

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

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

The term bond which matured on December 1, 2014, has an interest rate of 2.0 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts. The mandatory sinking fund redemption of \$10,000 was paid in fiscal year 2013 and another \$10,000 was paid in fiscal year 2014. The remaining \$95,000 was paid to the mandatory sinking fund redemption in the current fiscal year. The total of \$115,000 in principal was redeemed on the bonds in fiscal year 2015.

The term bond which matures on December 1, 2021, has an interest rate of 3.6 percent per year, and is subject to mandatory sinking fund redemption of \$105,000 in fiscal years 2021 and 2022 at a redemption price of 98.579 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

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

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

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

At June 30, 2015 the total amount of these bonds including accretion was \$49,158. The bonds are being retired through the Bond Retirement Debt Service Fund.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2014 are as follows:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

<u>Year Ended</u>	<u>General Obligation Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016		\$19,860	\$19,860	\$29,999	\$65,001	\$95,000
2017	\$100,000	18,510	118,510			
2018	100,000	15,660	115,660			
2019	100,000	12,560	112,560			
2020	100,000	9,260	109,260			
2021	105,000	5,670	110,670			
2022	105,000	1,890	106,890			
Total	<u>\$610,000</u>	<u>\$83,410</u>	<u>\$693,410</u>	<u>\$29,999</u>	<u>\$65,001</u>	<u>\$95,000</u>

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

The effects of these debt limitations at June 30, 2015 are a voted debt margin of \$7,660,366 and an unvoted debt margin of \$85,115.

NOTE 12 – LEASES

On September 17, 2012, the District entered into a capital lease for computer equipment. The District disbursed \$25,329 to pay the lease costs for the year ended June 30, 2015. The future lease payment due in 2016 is \$26,795.

NOTE 13 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

<u>Fund Balance</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Instruction			\$173,304	\$173,304
Severance			146,713	146,713
Scholarships			86,535	86,535
Facilities Maintenance			210,909	210,909
Athletics			18,631	18,631
Debt Retirement		\$195,305		195,305
Capital Improvements			221,652	221,652
Total Restricted		195,305	857,744	1,053,049
Assigned for:				
Educational Activities	\$3,391			3,391
Subsequent Appropriations	350,126			350,126
Unpaid Obligations	190,085			190,085
Total Assigned	543,602			543,602
Unassigned	2,911,433			2,911,433
Total Fund Balance	\$3,455,035	\$195,305	\$857,744	\$4,508,084

NOTE 14 - SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Maintenance</u>
Set-Aside Reserve Balance June 30, 2014	
Current Year Set Aside Requirement	\$84,972
Current Year Offsets	(69,239)
Qualifying Cash Disbursements	(15,733)
Set Aside Reserve Balance June 30, 2015	<u> </u>

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 15 - CONTINGENCIES

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2015 will not have a material adverse effect on the District.

B. Litigation

The District is not a party to any legal proceedings.

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

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

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

B. Vantage Career Center

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

C. State Support Team Region 1

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

D. 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.

NOTE 17 – INTERFUND TRANSACTIONS

A. Advances in/advances out consisted of the following at June 30, 2015 as reported on the fund statements:

<u>Advances from the General Fund to:</u>	<u>Amount</u>
Nonmajor Governmental Funds	
Cafeteria Fund	\$14,853
	\$14,853
<u>Advances to the General Fund from:</u>	
Nonmajor Governmental Funds	
Cafeteria Fund	\$14,853
Recreation Fund	3,302
Fiduciary Fund	
Agency Fund	1,791
	\$19,946

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

The advances made from the Recreation and Agency Funds were made in order to repay advances outstanding in the previous year. Current year advances made to the Cafeteria Fund to subsidize operations were also repaid during the year. Advances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund statements:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	
Cafeterial Fund	\$25,792
Severance Fund	145,750
Total Transfers	<u><u>\$171,542</u></u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

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**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$4,458,435</u></u>
Net Position:	
Restricted for:	
Capital Projects	\$165,801
Debt Service	157,758
Other Purposes	503,115
Unrestricted	3,631,761
Total Net Position	<u><u>\$4,458,435</u></u>

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$2,891,166	\$322,343		(\$2,568,823)
Special	1,047,368		\$214,876	(832,492)
Vocational	136,935		29,726	(107,209)
Support Services:				
Pupil	245,873		4,976	(240,897)
Instructional Staff	160,185		30,513	(129,672)
Board of Education	40,392			(40,392)
Administration	381,532			(381,532)
Fiscal	176,160		1,176	(174,984)
Operation and Maintenance of Plant	656,707		26,594	(630,113)
Pupil Transportation	243,807	6,573		(237,234)
Central	13,926			(13,926)
Operation of Non-Instructional Services	258,511	114,287	115,929	(28,295)
Extracurricular Activities	170,489	82,227		(88,262)
Capital Outlay	156,500			(156,500)
Debt Service:				
Principal Retirement	52,675			(52,675)
Interest and Fiscal Charges	105,981			(105,981)
Total Governmental Activities	\$6,738,207	\$525,430	\$423,790	(5,788,987)
 General Receipts:				
Property Taxes, Levied for General Purposes				1,045,153
Property Taxes, Levied for Debt Service				121,392
Property Taxes, Levied for Other				70,971
Income Taxes				690,242
Grants and Entitlements not Restricted to Specific Programs				3,617,560
Gifts and Donations				48,112
Interest				14,129
Miscellaneous				38,283
Refund of Prior Year Expenditures				8,456
Insurance Recoveries				4,081
Advance In				461
Total General Receipts				5,658,840
Change in Net Position				(130,147)
Net Position at Beginning of Year				4,588,582
Net Position at End of Year				\$4,458,435

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,631,761	\$157,758	\$668,916	\$4,458,435
Fund Balances:				
Restricted		\$157,758	\$668,916	\$826,674
Assigned	\$298,832			298,832
Unassigned	3,332,929			3,332,929
Total Fund Balances	\$3,631,761	\$157,758	\$668,916	\$4,458,435

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
RECEIPTS:				
Property Taxes	\$1,045,153	\$121,392	\$70,971	\$1,237,516
Income Tax	690,242			690,242
Intergovernmental	3,618,108	20,069	403,173	4,041,350
Interest	13,936		193	14,129
Tuition and Fees	315,205			315,205
Transportation Fee	6,573			6,573
Customer Sales and Services			114,287	114,287
Extracurricular Activities	21,175		61,052	82,227
Gifts and Donations	65		48,047	48,112
Rent	7,138			7,138
Miscellaneous	38,283			38,283
Total Receipts	5,755,878	141,461	697,723	6,595,062
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,848,309		42,857	2,891,166
Special	828,511		218,857	1,047,368
Vocational	136,935			136,935
Support Services:				
Pupil	237,198		8,675	245,873
Instructional Staff	139,078		21,107	160,185
Board of Education	40,392			40,392
Administration	381,532			381,532
Fiscal	170,099	3,817	2,244	176,160
Operation and Maintenance of Plant	621,696		35,011	656,707
Pupil Transportation	243,807			243,807
Central	13,926			13,926
Operation of Non-Instructional Services	21		258,490	258,511
Extracurricular Activities	99,648		70,841	170,489
Capital Outlay	156,500			156,500
Debt Service:				
Principal Retirement	23,943	28,732		52,675
Interest and Fiscal Charges	2,853	103,128		105,981
Total Disbursements	5,944,448	135,677	658,082	6,738,207
Excess of Revenues Over (Under) Disbursements	(188,570)	5,784	39,641	(143,145)
Other Financing Sources and (Uses):				
Transfers In			44,472	44,472
Transfers Out	(44,472)			(44,472)
Proceeds from Insurance Settlement	4,081			4,081
Advances-In	30,375		21,509	51,884
Advances-Out	(21,509)		(29,914)	(51,423)
Refund of Prior Year Expenditures	294		8,162	8,456
Total Other Financing Sources and (Uses)	(31,231)		44,229	12,998
Net Change in Fund Balances	(219,801)	5,784	83,870	(130,147)
Fund Balances at Beginning of Year	3,851,562	151,974	585,046	4,588,582
Fund Balances at End of Yea	\$3,631,761	\$157,758	\$668,916	\$4,458,435

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
RECEIPTS:				
Property Taxes	\$1,026,915	\$1,027,686	\$1,045,153	\$17,467
Income Tax	613,000	613,000	690,242	77,242
Intergovernmental	3,541,021	3,541,021	3,618,108	77,087
Interest	7,500	7,500	13,936	6,436
Tuition and Fees	251,750	251,750	315,205	63,455
Rent			7,138	7,138
Gifts and Donations			65	65
Transporation Fees	7,500	7,500	6,573	(927)
Miscellaneous	20,000	20,000	38,283	18,283
Total Receipts	<u>5,467,686</u>	<u>5,468,457</u>	<u>5,734,703</u>	<u>266,246</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	2,950,570	2,924,501	2,849,359	75,142
Special	724,380	869,224	828,511	40,713
Vocational	143,082	142,203	136,935	5,268
Support Services:				
Pupils	231,211	244,333	237,223	7,110
Instructional Staff	138,465	160,774	139,078	21,696
Board of Education	37,553	48,243	40,392	7,851
Administration	386,420	380,655	361,359	19,296
Fiscal	169,670	175,433	170,849	4,584
Operation and Maintenance of Plant	664,625	686,475	621,696	64,779
Pupil Transportation	269,132	280,852	243,807	37,045
Central	18,450	16,570	13,926	2,644
Operation of Non-Instructional Services	425	425	21	404
Extracurricular Activities	122,040	125,761	99,648	26,113
Capital Outlay	607,750	316,832	156,500	160,332
Debt Service:				
Principal Retirement	23,945	23,945	23,943	2
Interest	2,855	2,855	2,853	2
Total Disbursements	<u>6,490,573</u>	<u>6,399,081</u>	<u>5,926,100</u>	<u>472,981</u>
Excess of Disbursements Over Receipts	<u>(1,022,887)</u>	<u>(930,624)</u>	<u>(191,397)</u>	<u>739,227</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers Out	(29,462)	(44,472)	(44,472)	
Insurance Recoveries			4,081	4,081
Advances In	13,000	13,000	30,375	17,375
Advances Out	(30,000)	(30,000)	(21,509)	8,491
Refund of Prior Year Disbursements			294	294
Total Other Financing Sources and (Uses)	<u>(46,462)</u>	<u>(61,472)</u>	<u>(31,231)</u>	<u>30,241</u>
Net Change in Fund Balance	(1,069,349)	(992,096)	(222,628)	769,468
Fund Balance at Beginning of Year	3,690,678	3,690,678	3,690,678	
Prior Year Encumbrances Appropriated	158,250	158,250	158,250	
Fund Balance at End of Year	<u>\$2,779,579</u>	<u>\$2,856,832</u>	<u>\$3,626,300</u>	<u>\$769,468</u>

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
JUNE 30, 2014**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$44,838</u></u>
Liabilities	
Current Liabilities:	
Due to Students	<u><u>\$44,838</u></u>

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established in 1928 through the consolidation of existing land areas and school districts. The District serves an area of approximately 74 square miles. It is located in Putnam County and includes the entire Village of Continental, and all or portions of Greensburg, Jackson, Monroe, Palmer and Perry Townships, and the Villages of Cloverdale and Dupont. The District employs 23 non-certified and 43 certified (including administrative) full-time and part-time employees to provide services to approximately 491 students in grades K through 12 and various community groups. The District currently operates 1 elementary school and 1 junior high/high school.

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

A. Primary Government

The primary government of the District 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.

B. Component Units

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. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The District does not have any component units.

C. Other Organizations

The District participates in 3 public entity risk pools and 4 jointly governed organizations. 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 16 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pools:

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

Jointly Governed Organizations:

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a Governmental Accounting Standards board acceptable reporting comprehensive basis of accounting other than generally accepted accounting principles.

The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The District recognizes receipts when received in cash rather than when earned and recognizes disbursements 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). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

General Fund – The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Bond Retirement Fund – The Bond Retirement Fund accounts for resources received from property taxes to pay school improvement general obligation bond principal, interest and related costs.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary: The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Presentation

The District's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Government-wide Financial Statement of Activities: This statement displays information about the District as a whole, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

Fund Financial Statements: Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary Funds are reported by type.

D. 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 presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 2014, 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, 2014.

STAR Ohio Plus is an FDIC-insured investment program that has been fully reviewed and endorsed by the State Treasurer of Ohio. The program offers attractive yields with no market or credit risk and weekly liquidity with penalty free withdrawals. Participants in STAR Ohio Plus must be participating in STAR Ohio.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 was \$13,936, which included \$2,409 assigned from other District funds.

E. 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,

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Compensated Absences

In certain circumstances, such as upon leaving employment, 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.

I. Long-term Obligations

The District's cash basis financial statements do 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.

J. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

K. Net Position

The statements report restricted net position when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

L. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. There were no unpaid advances as of June 30, 2014.

M. Budgetary Data

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Education uses the fund as its legal level of control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the General Fund budgetary statement comparison at the fund and function level.

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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.

O. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

In prior years the District prepared its financial statements on a regulatory basis of accounting. For fiscal year 2014, the District revised its financial presentation to the cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Rather than presenting a separate column for each fund type, the District now presents entity wide statements and also statements with a separate column for each major fund with all other funds combined in a separate column.

For fiscal year 2014, the District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB Statement No. 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

blended or discretely presented component unit. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

The restatement due to the implementation of GASB Statement No. 54 and GASB Statement No. 34 had the following effect on fund balance of the major and nonmajor funds of the District as they were previously reported:

	General	Special Revenue	Bond Retirement	Capital Projects	Other Governmental Funds
Fund balance at June 30, 2013	\$3,848,928	\$473,936	\$151,974	\$113,744	
Change in Fund Structure	2,634	(\$473,936)		(\$113,744)	\$585,046
Restated fund balances at July 1, 2013	<u>\$3,851,562</u>	<u></u>	<u>\$151,974</u>	<u></u>	<u>\$585,046</u>

B. Compliance

Ohio Administrative Code, Section 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 cash 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 position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance (Budgetary Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,825 in the General Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in a separate special revenue fund (public school support funds) is considered part of the General Fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General fund:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Net Change in Fund Cash Balance	
	General Fund
Cash Basis	(\$219,801)
Funds Budgeted Elsewhere	(1,002)
Adjustment for Encumbrances	(1,825)
Budget Basis	(\$222,628)

NOTE 5 - 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.

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 held by the District can 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 two 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;

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits 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, 2014, \$2,227,877 of the District's bank balance of \$4,530,322 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.

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 collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the District. Real and public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes for 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 real and tangible personal property taxes for 2014 were levied after April 1, 2013, on the assessed values as of December 31, 2012, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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 County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2014 First Half Collections		2013 Second Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural	\$53,693,790	91.56%	\$53,491,090	91.43%
Commercial/Industrial	2,415,310	4.12%	2,412,020	4.12%
Public Utility	<u>2,536,340</u>	<u>4.32%</u>	<u>2,601,520</u>	<u>4.45%</u>
Total	<u><u>\$58,645,440</u></u>	<u><u>100%</u></u>	<u><u>\$58,504,630</u></u>	<u><u>100%</u></u>
Tax rate per \$1,000 of assessed valuation	\$35.45		\$35.65	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of 1.00 percent 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 revenue is credited to the General Fund.

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 99 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
- Automobile Liability
- School Officials Errors and Omissions
- Property
- Crime

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 contributions, insurance costs, and administration costs.

The District paid \$59,151 in premiums to the pool for fiscal year 2014 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 43235-6483

B. Employee Medical Benefits

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

The District participates as a member of the Putnam County School Insurance Group (the Group), a public entity risk pool, administered by Huntington Trust. 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 year 2014 the District participated in the Ohio School Boards Association (OSBA) 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 - 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.

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, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

was the portion used to fund pension obligations. For fiscal year 2013, 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 11 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 contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$304,255, \$308,844, and \$316,447 respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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.

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 2014, 13.10 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$81,740, \$84,737, and \$82,234, respectively; 44 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, 2014, all 5 members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 2014, 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, 2014, 2013, and 2012 were \$23,404, \$23,757, and \$24,342, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad 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 105(e). For 2014, 14 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 2014, this amount was \$20,250. The District’s SERS surcharge amount for 2014 \$10,925.

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

The District’s contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$11,799, \$10,685, and \$13,545, respectively; 96 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The District’s contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$4,742, \$4,787, and \$4,856, respectively; 44 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 11 – DEBT

The changes in the District’s debt obligations during the year consist of the following:

	Principal Balance at 06/30/13	Decrease	Principal Balance at 06/30/14	Amount Due In one Year
General Obligation Bonds:				
- General Obligation Bonds-2010	\$715,000	\$10,000	\$705,000	\$95,000
- Capital Appreciation Bonds- 1999	18,732	18,732		

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

- Capital Appreciation Bonds-2010	29,999		29,999	
Total General Obligation Bonds	\$763,731	\$28,732	\$734,999	\$95,000

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

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

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

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

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

Fiscal Year	Principal Amount to be Redeemed
2015	\$115,000

The term bond which matures on December 1, 2021, has an interest rate of 3.6 percent per year, and is subject to mandatory sinking fund redemption of \$105,000 in fiscal years 2021 and 2022 at a redemption price of 98.579 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2022	\$210,000

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

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

At June 30, 2014 the total amount of these bonds including accretion was \$34,823. The bonds are being retired through the Bond Retirement Debt Service Fund.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2014 are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$95,000	\$20,810	\$115,810			
2016		19,860	19,860	\$29,999	\$65,001	\$95,000
2017	100,000	18,510	118,510			
2018	100,000	15,660	115,660			
2019	100,000	12,560	112,560			
2020-2022	310,000	16,820	326,820			
Total	<u>\$705,000</u>	<u>\$104,220</u>	<u>\$809,220</u>	<u>\$29,999</u>	<u>\$65,001</u>	<u>\$95,000</u>

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

The effects of these debt limitations at June 30, 2014 are a voted debt margin of \$5,278,090 and an unvoted debt margin of \$58,645.

NOTE 12 – LEASES

On September 17, 2012, the District entered into a capital lease for computer equipment. The District disbursed \$23,943 to pay the lease costs for the year ended June 30, 2014. Future lease payments are as follow:

<u>Year</u>	<u>Amount</u>
2015	\$25,329
2016	<u>26,795</u>
Total	<u>\$52,124</u>

NOTE 13 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

<u>Fund Balance</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Instruction			\$201,178	\$201,178
Severance			17,384	17,384
Cafeteria			73	73
Scholarships			89,619	89,619
Facilities Maintenance			172,846	172,846
Athletics			22,015	22,015
Debt Retirement		\$157,758		157,758
Capital Improvements			165,801	165,801
Total Restricted		<u>157,758</u>	<u>668,916</u>	<u>826,674</u>
Assigned for:				
Subsequent Appropriations	\$293,371			293,371
Educational Activities	3,636			3,636
Unpaid Obligations	<u>1,825</u>			<u>1,825</u>
Total Assigned	<u>298,832</u>			<u>298,832</u>
Unassigned	<u>3,332,929</u>			<u>3,332,929</u>
Total Fund Balance	<u>\$3,631,761</u>	<u>\$157,758</u>	<u>\$668,916</u>	<u>\$4,458,435</u>

NOTE 14 - SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Maintenance</u>
Set-Aside Reserve Balance June 30, 2013	
Current Year Set Aside Requirement	\$80,358
Current Year Offsets	(63,505)
Qualifying Cash Disbursements	<u>(16,853)</u>
Set Aside Reserve Balance June 30, 2014	<u> </u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2014 will not have a material adverse effect on the District.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

B. Litigation

The District is not a party to any legal proceedings.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

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

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

B. State Support Team Region 1

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

C. Northwestern Ohio Educational Research Council, Inc.

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

D. Vantage Career Center

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

NOTE 17 – INTERFUND TRANSACTIONS

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

- A.** Advances in/advances out consisted of the following at June 30, 2014 as reported on the fund statements:

<u>Advances from the General Fund to:</u>	<u>Amount</u>
Nonmajor Governmental Funds	
Cafeteria Fund	\$21,509
	\$21,509
<u>Advances to the General Fund from:</u>	
Nonmajor Governmental Funds	
Cafeteria Fund	\$21,509
Recreation Fund	8,405
Fiduciary Fund	
Agency Fund	461
	\$30,375

The advances made from the Recreation and Agency Funds were made in order to repay advances outstanding in the previous year. Current year advances made to the Cafeteria Fund to subsidize operations were also repaid during the year. Advances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund statements:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	
Cafeteria Fund	\$19,472
Severance Fund	25,000
Total Transfers	\$44,472

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.



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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Continental Local School District, Putnam County, Ohio (the District) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 12, 2016, wherein we noted the District began using a special purpose framework other than generally accepted accounting principles, and adopted GASB Statement No. 54, *Fund balance Reporting and Governmental Fund Type Definitions* in fiscal year 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-001.

Entity's Response to Findings

The District's responses to the findings 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.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

April 12, 2016

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides each public office, other than a state agency, 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 Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District lacked a GASB 34 policy and therefore prepared 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 that, while material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Officials' Response:

The Board of Education and management of the District are knowledgeable concerning the required reporting format and the similarities and differences from the required reporting format and the method currently incorporated by the District. District personnel considered the cost-benefit of the two reporting formats and determined reporting on a basis of accounting other than generally accepted accounting principles (GAAP) to be the more fiscally responsible format at this time.

FINDING NUMBER 2015-002

Material Weakness – GASB 54

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

The District lacked a policy regarding financial review which contributed to a material posting discrepancy, occurring without detection. Although the District implemented GASB No. 54, the Treasurer did not classify appropriations in excess of estimated receipts as assigned fund balance for fiscal year 2015 and 2014 in the amount of \$350,126 and \$293,371, respectively. The financial statements have been adjusted to correct these errors.

In order to ensure the District's governmental fund balances are reported in accordance with GASB No. 54, we recommend the Board monitor the financial statements for inclusion of the GASB 54 disclosures.

Officials' Response:

This was the first time GASB 54 statements were implemented into the audit. With limited information on implementation provided by the state, the treasurer was unclear how to classify the assigned versus unassigned funds and generated the statements to the best of her ability. Now that the statements have been audited and clarified by the state auditors, this issue should not be repeated in the future.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not preparing the annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as Finding 2015-001 in this report.
2013-002	Material weakness due to not adopting the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.	No	Partially Corrected. Reissued as Finding 2015-002 in this report.
2013-003	Material weakness due to not reporting and budgeting Ohio Department of Education Grants spent on behalf of the District.	Yes	
2013-004	34 CFR 80.20(b)(7) due to not expending federal advances within 30 days.	N/A	Finding no longer valid. District was not subject to a federal Single Audit in either FY14 or FY15.
2013-005	OMB Circular A-133 § .200(a) and OMB Circular A-133 § .320 , due to not completing a single audit for 2012 and filing a data collection form.	N/A	Finding no longer valid. District was not subject to a federal Single Audit in either FY14 or FY15.

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CONTINENTAL LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 3, 2016**