



Dave Yost • Auditor of State

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
JUNE 30, 2017 AND 2016**

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PUTNAM COUNTY
JUNE 30, 2017 AND 2016**

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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, the 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, 2017 and 2016, 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 such 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, the major fund, and the aggregate remaining fund information of Continental Local School District, Putnam County, Ohio, as of June 30, 2017 and 2016, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2018, 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

July 17, 2018

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 6,093,878
Net position:	
Restricted for:	
Capital projects	\$ 257,349
Classroom facilities maintenance	230,465
Debt service	246,040
Locally funded programs	201,046
State funded programs	1,800
Student activities	31,214
Other purposes	84,615
Unrestricted	5,041,349
Total net position	\$ 6,093,878

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$ 2,996,798	\$ 217,226	\$ 104,241	\$ (2,675,331)
Special	931,814	50,310	527,098	(354,406)
Vocational	69,143	-	12,597	(56,546)
Support services:				
Pupil	374,605	-	26,324	(348,281)
Instructional staff	195,809	-	29,054	(166,755)
Board of education	39,844	-	-	(39,844)
Administration	460,647	-	26,047	(434,600)
Fiscal	181,650	-	-	(181,650)
Operations and maintenance	805,602	8,123	2,138	(795,341)
Pupil transportation	254,883	-	11,650	(243,233)
Central	10,042	-	-	(10,042)
Operation of non-instructional services:				
Food service operations	274,645	120,483	108,244	(45,918)
Other non-instructional services	40,761	-	6,364	(34,397)
Extracurricular activities	175,609	101,797	3,215	(70,597)
Facilities and acquisition costs	27,303	-	-	(27,303)
Debt service				
Principal retirement	103,120	-	-	(103,120)
Interest and fiscal charges	19,337	-	-	(19,337)
Total governmental activities	\$ 6,961,612	\$ 497,939	\$ 856,972	(5,606,701)
General Receipts:				
Property taxes levied for:				
General purposes				1,732,263
Debt service				121,830
Capital outlay				58,658
Classroom facilities and maintenance				24,418
Recreation				12,701
Income taxes levied for:				
General purposes				667,592
Grants and entitlements not restricted to specific programs				3,778,944
Investment earnings				29,901
Miscellaneous				13,895
Total general receipts				6,440,202
Change in net position				833,501
Net position at beginning of year				5,260,377
Net position at end of year				\$ 6,093,878

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 5,041,349	\$ 1,052,529	\$ 6,093,878
Fund balances:			
Restricted:			
Debt service	\$ -	\$ 246,040	\$ 246,040
Capital improvements	-	257,349	257,349
Classroom facilities maintenance	-	230,465	230,465
Other purposes	-	202,846	202,846
Extracurricular	-	31,214	31,214
Scholarships	-	84,615	84,615
Assigned:			
Student instruction	9,408	-	9,408
Student and staff support	15,062	-	15,062
Facilities acquisition and construction	7,800	-	7,800
Subsequent year's appropriations	3,116,206	-	3,116,206
Unassigned	1,892,873	-	1,892,873
Total fund balances	\$ 5,041,349	\$ 1,052,529	\$ 6,093,878

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts:			
From local sources:			
Property taxes	\$ 1,732,263	\$ 217,607	\$ 1,949,870
Income taxes	667,592	-	667,592
Tuition	248,182	-	248,182
Transportation fees	4,337	-	4,337
Earnings on investments	29,551	350	29,901
Charges for services	-	120,483	120,483
Extracurricular	21,021	76,439	97,460
Classroom materials and fees	19,354	-	19,354
Rental income	8,123	-	8,123
Contributions and donations	-	44,065	44,065
Other local receipts	13,895	3,000	16,895
Intergovernmental - state	4,037,521	53,152	4,090,673
Intergovernmental - federal	27,911	470,267	498,178
Total receipts	6,809,750	985,363	7,795,113
Disbursements:			
Current:			
Instruction:			
Regular	2,903,817	92,981	2,996,798
Special	722,537	209,277	931,814
Vocational	69,143	-	69,143
Support services:			
Pupil	348,281	26,324	374,605
Instructional staff	168,555	27,254	195,809
Board of education	39,844	-	39,844
Administration	434,600	26,047	460,647
Fiscal	175,636	6,014	181,650
Operations and maintenance	756,897	48,705	805,602
Pupil transportation	246,884	7,999	254,883
Central	10,042	-	10,042
Operation of non-instructional services:			
Food service operations	-	274,645	274,645
Other operation of non-instructional	-	40,761	40,761
Extracurricular activities	102,576	73,033	175,609
Facilities acquisition and construction	27,303	-	27,303
Debt service:			
Principal retirement	3,120	100,000	103,120
Interest and fiscal charges	827	18,510	19,337
Total disbursements	6,010,062	951,550	6,961,612
Excess of receipts over disbursements	799,688	33,813	833,501
Other financing sources (uses):			
Transfers in	-	45,858	45,858
Transfers (out)	(45,858)	-	(45,858)
Advances in	8,845	8,845	17,690
Advances (out)	(8,845)	(8,845)	(17,690)
Total other financing sources (uses)	(45,858)	45,858	-
Net change in fund balances	753,830	79,671	833,501
Fund balances at beginning of year	4,287,519	972,858	5,260,377
Fund balances at end of year	\$ 5,041,349	\$ 1,052,529	\$ 6,093,878

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
From local sources:				
Property taxes	\$ 1,614,970	\$ 1,640,893	\$ 1,732,263	\$ 91,370
Income taxes	682,737	632,379	667,592	35,213
Tuition	241,250	235,091	248,182	13,091
Transportation fees	2,000	4,108	4,337	229
Earnings on investments	10,000	27,992	29,551	1,559
Classroom materials and fees	16,000	18,333	19,354	1,021
Rental income	2,000	7,695	8,123	428
Other local receipts	15,000	13,162	13,895	733
Intergovernmental - state	3,801,001	3,824,557	4,037,521	212,964
Intergovernmental - federal	27,500	26,439	27,911	1,472
Total receipts	<u>6,412,458</u>	<u>6,430,649</u>	<u>6,788,729</u>	<u>358,080</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,927,157	2,927,157	2,916,658	10,499
Special	876,355	876,355	722,537	153,818
Vocational	69,190	69,190	69,658	(468)
Support services:				
Pupil	378,248	378,248	348,281	29,967
Instructional staff	145,348	145,348	168,555	(23,207)
Board of education	44,300	44,300	39,844	4,456
Administration	421,126	421,126	420,070	1,056
Fiscal	169,795	169,795	175,636	(5,841)
Operations and maintenance	818,269	818,269	762,097	56,172
Pupil transportation	325,220	325,220	246,989	78,231
Central	13,500	13,500	10,042	3,458
Extracurricular activities	108,445	108,445	102,576	5,869
Facilities acquisition and construction	50,000	50,000	35,103	14,897
Total disbursements	<u>6,346,953</u>	<u>6,346,953</u>	<u>6,018,046</u>	<u>328,907</u>
Excess of receipts over disbursements	<u>65,505</u>	<u>83,696</u>	<u>770,683</u>	<u>686,987</u>
Other financing sources (uses):				
Transfers in	81,500	81,500	81,500	-
Transfers (out)	(107,594)	(107,594)	(127,358)	(19,764)
Advances in	7,000	7,000	8,845	1,845
Advances (out)	(35,000)	(35,000)	(8,845)	26,155
Total other financing sources (uses)	<u>(54,094)</u>	<u>(54,094)</u>	<u>(45,858)</u>	<u>8,236</u>
Net change in fund balance	11,411	29,602	724,825	695,223
Fund balance at beginning of year	4,283,502	4,283,502	4,283,502	-
Prior year encumbrances appropriated	752	752	752	-
Fund balance at end of year	<u>\$ 4,295,665</u>	<u>\$ 4,313,856</u>	<u>\$ 5,009,079</u>	<u>\$ 695,223</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 63,173
Net position:	
Undistributed monies	\$ 63,173

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 – 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 27 non-certified and 40 certified (including administrative) full-time and part-time employees to provide services to approximately 474 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 reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

C. Other Organizations

The District participates in three public entity risk pools and four 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 15 to the financial statements provide additional information for these entities. These organizations are:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Public Entity Risk Pools:

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

Jointly Governed Organizations:

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

The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code § 117-2-03(B) requires the District's financial report to follow GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting, which is a comprehensive basis of accounting other than 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.

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

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and budgetary disbursements reported in the budgetary statement are due to current year encumbrances being added to disbursements reported on the budgetary statement.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following is the District's only major governmental fund:

General Fund – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 therefore not available to support the District's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for various rotary, unclaimed monies, OHSAA tournament monies, and student managed activities.

C. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements providing more detailed financial information.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the District at fiscal year-end. The Statement of Activities compares direct cash disbursements with program cash receipts for each function or program of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash 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 cash receipts are all receipts not classified as program cash receipts, with certain limited exceptions. The comparison of direct disbursements with program cash receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general cash 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.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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" on the basic financial statements.

During fiscal year 2017, the District invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Investments are reported at cost, except for STAR Ohio.

During fiscal year 2017, the District invested in 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 was \$29,551, which included \$5,235 assigned from other District funds.

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.

An analysis of the District's deposits and investments at year-end is provided in Note 5

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when a disbursement 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 there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District's policy is to first apply restricted resources when incurring a disbursement for purposes for which both restricted or unrestricted net position are available.

L. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances when made or repaid. Advances are not reflected as assets and liabilities in the accompanying financial statements. Governmental funds report interfund transfers and advances as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs. Interfund activity between governmental funds is eliminated on the government-wide financial statements.

There were no unpaid advances as of June 30, 2017.

M. Budgetary Process

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the alternate tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The tax budget demonstrates a need for existing or increased tax rates. 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 level as its legal level of control. Although the legal level of budgetary control was established at the fund level of disbursements, 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 on the budgetary statement reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget on the budgetary statement reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board.

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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 on the budgetary statement 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 on the budgetary statement represent the final appropriation the Board passed during the year.

N. 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 payments (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 Principles

For fiscal year 2017, the District has implemented, to the extent applicable to the cash basis of accounting, GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 18); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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statements of the District.

B. Compliance

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budget basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is presented on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that (1) in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding year end encumbrances are treated as disbursements (budget basis) rather than assigned or committed fund balance (cash basis); and (2) some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budget basis statement for the General Fund:

Net Change in Fund Balance

	<u>General Fund</u>
Cash basis	\$ 753,830
Funds budgeted elsewhere **	414
Adjustment for encumbrances	(29,419)
Budget basis	\$ 724,825

** As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate Special Revenue funds are considered part of the General Fund on a cash basis. This includes the Public School Support Fund.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education 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

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depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in such securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$4,096,410. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$1,183,049 of the District's bank balance of \$4,184,773 was covered by the FDIC, while \$2,109,681 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2017, the District had the following investments and maturities:

<u>Investment type</u>	<u>Carrying Amount</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 2,060,641</u>	<u>\$ 2,060,641</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 2,060,641</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

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Cash and Investments per Note

Carrying amount of deposits	\$ 4,096,410
Investments	<u>2,060,641</u>
Total	<u><u>\$ 6,157,051</u></u>

Cash and Cash Equivalents per Statement of Net Position

Governmental Activities	\$ 6,093,878
Agency Funds	<u>63,173</u>
Total	<u><u>\$ 6,157,051</u></u>

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 certain tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 77,619,530	87.95	\$ 78,790,900	87.87
Public utility personal	<u>10,636,020</u>	<u>12.05</u>	<u>10,878,970</u>	<u>12.13</u>
Total	<u><u>\$ 88,255,550</u></u>	<u><u>100.00</u></u>	<u><u>\$ 89,669,870</u></u>	<u><u>100.00</u></u>
Tax rate per \$1,000 of assessed valuation	\$35.15		\$34.55	

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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 receipts are credited to the General Fund. Total income tax receipts for fiscal year 2017 equaled \$667,592.

NOTE 8 – RISK MANAGEMENT

A. Risk Pool Membership

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for claims arising from such matters through the Schools of Ohio Risk Sharing Authority (SORSA), a joint self-insurance pool.

SORSA is a member owned organization having approximately 105 members. . SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and persons. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744. 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 \$63,785 in premiums to the pool for fiscal year 2017 coverage. SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
8050 North High Street
Suite 160
Columbus, Ohio 43235-6483

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

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 Group was created to enable its eleven members

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(political subdivisions) to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the Group provides health and dental benefits to employees of its members.

The governing body of the Group is the Board of Trustees composed of the representatives of members who have been appointed by the respective governing bodies of the members. The Board of Trustees and the treasurer of the fiscal agent (a non-voting, ex-officio member of the Board) serves as the advisory body to the Group. It consists of one representative, being the superintendent of each member.

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.

The District contributed a total of \$661,237 to the Putnam County School Insurance Program for medical and dental insurance for its employees during fiscal year 2017. Financial information for the Putnam County School Insurance Program can be obtained from Jan Osborn, Superintendent of Putnam County Educational Service Center, 124 Putnam Parkway, Ottawa, Ohio 45875.

C. Workers' Compensation

For fiscal year 2017 the District participated in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (the "GRP"), an insurance purchasing pool, sponsored by both the Ohio School Boards Association (OSBA) and Ohio Association of School Business Officials (OASBO). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant then either receives money from or be required to contribute to the 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.

The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP. The District paid \$320 to CompManagement, Inc. during fiscal year 2017 for these services.

NOTE 9 – DEFINED PENSION BENEFIT PLANS

Net Pension Liability

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-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.

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The 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 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.

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

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The District's contractually required contribution to SERS was \$101,065 for fiscal year 2017.

Plan Description – State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description – District licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can 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 website 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 is 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 26 years of service, or 31 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.

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 or later.

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio 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. For fiscal year 2017, plan

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members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$291,709 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, 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:

	SERS	STRS Ohio	Total
Proportion of the net pension liability prior measurement date	0.02278720%	0.02155670%	
Proportion of the net pension liability current measurement date	<u>0.02175870%</u>	<u>0.01829961%</u>	
Change in proportionate share	<u>0.00102850%</u>	<u>0.00325709%</u>	
Proportionate share of the net pension liability	\$ 1,592,536	\$ 6,125,431	\$ 7,717,967

Actuarial Assumptions – SERS

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, 2016, are presented below:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate – The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 2,108,419	\$ 1,592,536	\$ 1,160,721

Actuarial Assumptions – STRS Ohio

The total pension liability in the June 30, 2016, 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, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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.

**CONTINENTAL LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate 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	 <u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

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 as of June 30, 2016, 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 8,140,200	\$ 6,125,431	\$ 4,425,855

Changes Between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

significant changes are a reduction in the expected investment return to 7.45 percent from 7.75 percent and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

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, 2017, all five Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System (SERS)

Health Care Plan Description – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

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 2017, no portion 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 2017, this amount was \$23,500. 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 2017, the District's surcharge obligation was \$11,277.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$11,277, \$12,220, and \$18,521, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

B. State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description – The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio)

**CONTINENTAL LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 11 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2017 were as follows:

	Balance Outstanding <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/17</u>	Amounts Due in <u>One Year</u>
General Obligation Bonds:					
2010 School Improvement					
Refunding Bonds	\$ 610,000	\$ -	\$ (100,000)	\$ 510,000	\$ 100,000
Capital Lease Obligation	<u>-</u>	<u>27,835</u>	<u>(3,120)</u>	<u>24,715</u>	<u>5,185</u>
Total Long-Term Obligations	<u>\$ 610,000</u>	<u>\$ 27,835</u>	<u>\$ (103,120)</u>	<u>\$ 534,715</u>	<u>\$ 105,185</u>

See Note 12 for more information on the District's capital lease obligation.

Series 2010 School Improvement Refunding 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:

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

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:

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PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

The capital appreciation bonds matured on December 1, 2015.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
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	\$ 510,000	\$ 45,040	\$ 555,040

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$7,758,181 (including available funds of \$246,040) and an unvoted debt margin of \$89,135.

NOTE 12 – CAPITAL LEASES

In fiscal year 2017, the District entered into two capitalized leases for copiers. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service disbursements in the General Fund. These disbursements are reported as function disbursements on the budgetary statement.

Principal payments in fiscal year 2017 totaled \$3,120 paid by the General Fund.

The following is a schedule of the future minimum lease payments required under the District's capital leases and the present value of the future minimum lease payments as of June 30, 2017:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 6,303
2019	6,304
2020	6,303
2021	6,304
2022	<u>2,356</u>
Total Minimum Lease Payments	27,570
Less: Amount Representing Interest	<u>(2,855)</u>
Total	<u>\$ 24,715</u>

NOTE 13 – STATUTORY RESERVES

The District is required by State law to annually set-aside certain General Fund receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-Aside Balance June 30, 2016	\$ -
Current Year Set-Aside Requirement	84,882
Current Year Offsets	<u>(84,882)</u>
Total	<u>\$ -</u>
Balance Carried Forward to Fiscal Year 2018	<u>\$ -</u>
Set-Aside Balance June 30, 2017	<u>\$ -</u>

NOTE 14 – CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District's General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

B. Litigation

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(Continued)

C. Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017, 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 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, 2017 Foundation funding for the 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 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is a jointly governed organization among fifty-four member districts/educational service centers. 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. Each of these schools support NOACSC based upon a per pupil charge dependent on the software package utilized.

The NOACSC Assembly consists of one representative from each participating district/educational service center and the superintendent from the fiscal agent. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts/educational service centers within each county plus one representative from the fiscal agent. During fiscal year 2017, the District paid \$27,490 to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as director, at 4277 East Road, Elida, Ohio 45807.

B. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of a representative from each participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information contact the Vantage Career Center, 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. The 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

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PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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. The District paid NOERC \$200 for membership dues for fiscal year 2017. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

NOTE 16 – INTERFUND TRANSACTIONS

- A.** Advances in and advances out during fiscal year 2017 consisted of the following, as reported on the fund financial statements:

<u>Advances In</u>	<u>Advances Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 8,845
General Fund	Other Governmental Funds	<u>8,845</u>
Total		<u>\$ 17,690</u>

The primary purpose of the advances is to cover costs in specific funds where cash receipts were not received by June 30. Advances are repaid once the anticipated cash receipts are received.

Advances between governmental funds are eliminated on the government-wide financial statements; therefore, no advances are reported in the Statement of Activities.

- B.** Interfund transfers during fiscal year 2017 consisted of the following, as reported on the fund financial statements:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
Other Governmental Funds	<u>\$ 45,858</u>

Transfers are used to (1) move cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) to use unrestricted cash receipts 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; therefore, no transfers are reported in the Statement of Activities.

NOTE 17 – OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year disbursements and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

<u>Fund Type</u>	Year-End <u>Encumbrances</u>
General Fund	\$ 29,419
Other Governmental Funds	<u>77,900</u>
Total	<u>\$ 107,319</u>

NOTE 18 – TAX ABATEMENTS

Other governments entered into property tax abatement agreements with property owners under Enterprise Zone Agreements (“EZAs”) and the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The EZAs and CRA program are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Under these agreements, the District’s property taxes were reduced by \$45,502. The District is not receiving any amounts from these other governments in association with the forgone property tax receipts.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$5,260,377</u></u>
Net Position:	
Restricted for:	
Capital Outlay	\$194,522
Debt Service	231,097
Other Purposes	547,239
Unrestricted	<u>4,287,519</u>
Total Net Position	<u><u>\$5,260,377</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, 2016**

	Program Cash 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	\$2,799,705	\$344,305	\$31,437	(\$2,423,963)
Special	965,795		210,137	(755,658)
Vocational	68,440		17,815	(50,625)
Support Services:				
Pupil	366,763		21,314	(345,449)
Instructional Staff	164,603		15,866	(148,737)
Board of Education	31,792			(31,792)
Administration	411,318		1,621	(409,697)
Fiscal	190,415		1,425	(188,990)
Operation and Maintenance of Plant	712,134		25,788	(686,346)
Pupil Transportation	467,810	6,801	3,934	(457,075)
Central	8,930			(8,930)
Operation of Non-Instructional Services	280,243	123,919	114,009	(42,315)
Extracurricular Activities	153,254	81,014		(72,240)
Capital Outlay	146,242			(146,242)
Debt Service:				
Principal	56,795			(56,795)
Interest and Fiscal Charges	84,861			(84,861)
Totals	\$6,909,100	\$556,039	\$443,346	(5,909,715)
 General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,614,970
Property Taxes, Levied for Other				223,921
Income Taxes				681,925
Grants and Entitlements not Restricted to Specific Programs				4,043,121
Gifts and Donations				57,745
Interest				20,075
Miscellaneous				20,251
Total General Receipts				6,662,008
Change in Net Position				752,293
Net Position Beginning of Year				4,508,084
Net Position End of Year				\$5,260,377

See Accompanying Notes to the Basic Financial Statements

PUTNAM COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 JUNE 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,287,519	\$972,858	\$5,260,377
Fund Balances:			
Restricted		\$972,858	\$972,858
Assigned	\$752		752
Unassigned	4,286,767		4,286,767
Total Fund Balances	\$4,287,519	\$972,858	\$5,260,377

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Property and Other Local Taxes	\$1,614,970	\$223,921	\$1,838,891
Income Tax	681,925		681,925
Intergovernmental	4,035,682	450,785	4,486,467
Interest	19,794	281	20,075
Tuition and Fees	339,299		339,299
Transportation Fees	6,801		6,801
Rent	5,006		5,006
Extracurricular Activities	21,467	59,547	81,014
Gifts and Donations	50	57,695	57,745
Customer Sales and Services		123,919	123,919
Miscellaneous	20,251		20,251
Total Receipts	<u>6,745,245</u>	<u>916,148</u>	<u>7,661,393</u>
Disbursements:			
Current:			
Instruction:			
Regular	2,613,692	186,013	2,799,705
Special	736,060	229,735	965,795
Vocational	68,440		68,440
Support Services:			
Pupil	345,449	21,314	366,763
Instructional Staff	128,978	35,625	164,603
Board of Education	31,792		31,792
Administration	409,697	1,621	411,318
Fiscal	184,202	6,213	190,415
Operation and Maintenance of Plant	692,124	20,010	712,134
Pupil Transportation	377,775	90,035	467,810
Central	8,930		8,930
Operation of Non-Instructional Services		280,243	280,243
Extracurricular Activities	95,594	57,660	153,254
Capital Outlay	146,242		146,242
Debt Service:			
Principal	26,796	29,999	56,795
Interest and Fiscal Charges		84,861	84,861
Total Disbursements	<u>5,865,771</u>	<u>1,043,329</u>	<u>6,909,100</u>
Excess of Receipts Over (Under) Disbursements	<u>879,474</u>	<u>(127,181)</u>	<u>752,293</u>
Other Financing Sources and (Uses):			
Transfers In		46,990	46,990
Transfers Out	(46,990)		(46,990)
Advances In	11,179	11,179	22,358
Advances Out	(11,179)	(11,179)	(22,358)
Total Other Financing Sources and (Uses)	<u>(46,990)</u>	<u>46,990</u>	
Net Change in Fund Balances	832,484	(80,191)	752,293
Fund Balances at Beginning of Year	3,455,035	1,053,049	4,508,084
Fund Balances at End of Year	<u>\$4,287,519</u>	<u>\$972,858</u>	<u>\$5,260,377</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 - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$1,388,636	\$1,588,636	\$1,614,970	\$26,334
Income Tax	686,851	681,851	681,925	74
Intergovernmental	3,305,823	4,006,048	4,035,682	29,634
Interest	10,000	15,000	19,794	4,794
Tuition and Fees	233,570	323,201	339,299	16,098
Transportation Fees	1,000	6,000	6,801	801
Rent	135	135	5,006	4,871
Gifts and Donations			50	50
Miscellaneous	15,000	20,000	20,251	251
Total Receipts	<u>5,641,015</u>	<u>6,640,871</u>	<u>6,723,778</u>	<u>82,907</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,738,900	2,738,900	2,613,694	125,206
Special	861,010	861,010	736,060	124,950
Vocational	121,435	121,435	68,440	52,995
Support Services:				
Pupil	240,117	240,117	345,449	(105,332)
Instructional Staff	132,294	132,294	128,978	3,316
Board of Education	38,548	38,548	31,792	6,756
Administration	384,679	384,679	388,104	(3,425)
Fiscal	177,350	177,350	184,952	(7,602)
Operation and Maintenance of Plant	686,525	789,442	692,124	97,318
Pupil Transportation	360,439	360,439	377,775	(17,336)
Central	13,250	13,250	8,930	4,320
Extracurricular Activities	93,980	93,980	95,594	(1,614)
Capital Outlay	267,152	164,235	146,242	17,993
Debt Service:				
Principal Retirement	26,796	26,796	26,796	
Total Disbursements	<u>6,142,475</u>	<u>6,142,475</u>	<u>5,844,930</u>	<u>297,545</u>
Excess of Receipts Over (Under) Disbursements	<u>(501,460)</u>	<u>498,396</u>	<u>878,848</u>	<u>380,452</u>
Other Financing Sources and (Uses):				
Transfers Out	(111,751)	(111,751)	(46,990)	64,761
Advances In	10,000	10,000	11,179	1,179
Advances Out	(15,000)	(15,000)	(11,179)	3,821
Total Other Financing Sources and (Uses)	<u>(116,751)</u>	<u>(116,751)</u>	<u>(46,990)</u>	<u>69,761</u>
Net Change in Fund Balance	(618,211)	381,645	831,858	450,213
Fund Balance at Beginning of Year	3,261,559	3,261,559	3,261,559	
Prior Year Encumbrances Appropriated	190,085	190,085	190,085	
Fund Balance at End of Year	<u>\$2,833,433</u>	<u>\$3,833,289</u>	<u>\$4,283,502</u>	<u>\$450,213</u>

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016**

	<u>Agency</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$54,268</u></u>
Net Position:	
Undistributed Monies	<u><u>\$54,268</u></u>

See Accompanying Notes to the Basic Financial Statements

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 26 non-certified and 39 certified (including administrative) full-time and part-time employees to provide services to approximately 477 students in grades K through 12 and various community groups. The District currently operates one elementary school and one 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 three public entity risk pools and four 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 SchoolComp Workers' Compensation Group Retrospective Rating Program

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

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

The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the District's most significant of the District's 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 on 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.

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

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity-wide statements and budgetary disbursements being added to the budgetary statement are due to current year encumbrances being added to disbursements reported on the budgetary statement.

B. Fund Accounting

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

Governmental: Governmental funds are those through which most governmental functions typically are financed, which primarily include taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

governmental funds according to the purposes for which they may or must be used. The following is the District's major governmental fund:

General Fund – The General Fund accounts for all financial resources except for those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

The other governmental funds of the District account for grants and other resources, debt retirement, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary: Fiduciary fund reporting focuses on net position and changes in net position. 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 and do not involve measurement of results of operations. The District's agency fund accounts for various rotary, unclaimed monies, OHSAA tournament monies, and student-managed activities.

C. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements providing more detailed financial information.

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the District as a whole, except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the District at fiscal year-end. The Statement of Activities compares direct cash disbursements with program cash receipts for each function or program of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash 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 cash receipts are all receipts not classified as program cash receipts, with certain limited exceptions. The comparison of direct disbursements with program cash receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general cash 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" on the basic financial statements.

During fiscal year 2016, the District invested in nonnegotiable certificates of deposit. Investments are reported at cost.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

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 2016 was \$19,794, which included \$4,105 assigned from other District funds.

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. At June 30, 2016, the District had no investments.

An analysis of the District's deposits and investments at year-end is provided in Note 5

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, 2016
(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 a disbursement 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 there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District's policy is to first apply restricted resources when incurring a disbursement for purposes for which both restricted or unrestricted net position are available.

L. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances when made or repaid. Advances are not reflected as assets and liabilities in the accompanying financial statements. Governmental funds report interfund transfers and

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

advances as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs. Interfund activity between governmental funds is eliminated on the government-wide financial statements.

There were no unpaid advances as of June 30, 2016.

M. Budgetary Process

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the alternate tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The tax budget demonstrates a need for existing or increased tax rates. 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 level as its legal level of control. Although the legal level of budgetary control was established at the fund level of disbursements, 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 on the budgetary statement reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget on the budgetary statement reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board.

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 on the budgetary statement 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 on the budgetary statement represent the final appropriation the Board passed during the year.

N. 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 payments (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 Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Compliance

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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

While the District is reporting financial position, results of operations, and changes in fund balances on the cash basis, the budget basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that (1) in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding year end encumbrances are treated as cash disbursements (budget basis) rather than assigned or committed fund balance (cash basis); and (2) some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

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 (i.e. Public School Support Fund) 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 budget basis statement for the General Fund:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Net Change in Fund Cash Balance	
	General Fund
Cash Basis	\$832,484
Funds Budgeted Elsewhere	126
Adjustment for Encumbrances	(752)
Budget Basis	\$831,858

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 obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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);
8. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either one of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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, 2016, \$2,094,938 of the District's bank balance of \$5,340,880 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, while \$2,495,942 was covered by FDIC.

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 receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in

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calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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, 2016, are available to finance fiscal year 2016 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 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural	\$75,051,910	88.18%	\$75,264,630	85.28%
Commercial/Industrial	2,389,020	2.81%	2,354,900	2.67%
Public Utility	<u>7,674,250</u>	<u>9.01%</u>	<u>10,636,020</u>	<u>12.05%</u>
Total	<u><u>\$85,115,180</u></u>	<u><u>100%</u></u>	<u><u>\$88,255,550</u></u>	<u><u>100%</u></u>
Tax rate per \$1,000 of assessed valuation	\$35.15		\$35.15	

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 receipts are credited to the General Fund. Total income tax receipts for fiscal year 2016 equaled \$681,925.

NOTE 8 – RISK MANAGEMENT

A. Risk Pool Membership

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for claims arising from such matters through the Schools of Ohio Risk Sharing Authority (SORSA), a joint self-insurance pool.

SORSA is a member owned organization having approximately 107 members. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice

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President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and persons. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744. 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 \$65,477 in premiums to the pool for fiscal year 2016 coverage.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
8050 North High Street
Suite 160
Columbus, Ohio 43235-6483

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

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 Group was created to enable its eleven members (political subdivisions) to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the Group provides health and dental benefits to employees of its members.

The governing body of the Group is the Board of Trustees composed of the representatives of members who have been appointed by the respective governing bodies of the members. The Board of Trustees and the treasurer of the fiscal agent (a non-voting, ex-officio member of the Board) serves as the advisory body to the Group. It consists of one representative, being the superintendent of each member.

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.

The District contributed a total of \$571,168 to the Putnam County School Insurance Program for medical and dental insurance for its employees during fiscal year 2016. Financial information for the Putnam County School Insurance Program can be obtained from Jan Osborn, Superintendent of Putnam County Educational Service Center, 124 Putnam Parkway, Ottawa, Ohio 45875.

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C. Workers' Compensation

For fiscal year 2016 the District participated in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (the "GRP"), an insurance purchasing pool, sponsored by both the Ohio School Boards Association (OSBA) and Ohio Association of School Business Officials (OASBO). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant then either receives money from or be required to contribute to the 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.

The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP. The District paid \$320 to CompManagement, Inc. during fiscal year 2016 for these services.

NOTE 9 – DEFINED PENSION BENEFIT PLANS

Net Pension Liability

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-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.

The 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.

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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.

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The District’s contractually required contribution to SERS was \$94,604 for fiscal year 2016.

Plan Description – State Teachers Retirement System of Ohio (STRS Ohio)

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 Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio’s fiduciary net position. That report can 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 website at www.strsoh.org.

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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 is 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 increased 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.

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 service. 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 or later.

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio 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, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$269,566 for fiscal year 2016.

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Net Pension Liability

The net pension liability was measured as of June 30, 2015, 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	\$1,300,260	\$5,957,641	\$7,257,901
Proportion of the Net Pension Liability	0.02278720%	0.02155670%	

Actuarial Assumptions – SERS

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, 2015, 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-

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	 <u>100.00 %</u>	

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%)
District's proportionate share of the net pension liability	\$1,802,993	\$1,300,260	\$876,917

Changes Between Measurement Date and Report Date – In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

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Actuarial Assumptions – STRS Ohio

The total pension liability in the June 30, 2015, 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

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, 2015, 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 Ohio's 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	 <u>100.00 %</u>	

10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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 Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. 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, 2015.

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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:

	1% Decrease █ (6.75%)	Current █ Discount Rate (7.75%)	1% Increase █ (8.75%)
District's proportionate share of the net pension liability	\$8,275,613	\$5,957,641	\$3,997,451

Changes Between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45 percent from 7.75 percent and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

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, 2016, 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 (SERS)

Health Care Plan Description – The District contributes to the SERS Health Care Fund administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined other post-employment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on the SERS' website, www.ohsers.org, under "Employers/Audit Resources".

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

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 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum

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compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the District’s surcharge obligation was \$12,220.

The District’s contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$12,220, \$18,521, and \$11,799, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

State Teachers Retirement System of Ohio

Plan Description – The District contributes to the cost-sharing, multiple-employer, defined benefit Health Plan (the “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 can be obtained by visiting www.strsoh.org, under “Publications” or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$23,404, respectively. The full amount has been contributed for fiscal year 2014.

NOTE 11 – DEBT

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

	Balance at 06/30/15	Decrease	Balance at 06/30/16	Amount Due In one Year
General Obligation Bonds:				
General Obligation Bonds – 2010	\$610,000		\$610,000	\$100,000
Capital Appreciation Bonds – 2010	29,999	\$29,999		
Total Long-Term Obligations	<u>\$639,999</u>	<u>\$29,999</u>	<u>\$610,000</u>	<u>\$100,000</u>

Series 2010 School Improvement Refunding 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:

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

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 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 matured on December 1, 2015, having 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

At June 30, 2016 the total amount of these bonds including accretion was \$0. The bonds were retired through the Debt Service Bond Retirement Fund.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2016 are as follows:

Year Ended	General Obligation Bonds		
	Principal	Interest	Total
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	\$610,000	\$63,550	\$673,550

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conversation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016 are a voted debt margin of \$7,510,274 and an unvoted debt margin of \$87,658.

NOTE 12 – CAPITAL LEASES

On September 17, 2012, the District entered into a four year capital lease for computer equipment in the amount of \$98,700. On September 30, 2015, the District disbursed the final lease payment of \$26,796.

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:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Instruction		\$167,866	\$167,866
Severance		21,270	21,270
Scholarships		84,134	84,134
Facilities Maintenance		249,316	249,316
Extracurricular Activities		24,593	24,593
Food Service		60	60
Debt Retirement		231,097	231,097
Capital Project Improvements		194,522	194,522
Total Restricted		<u>972,858</u>	<u>972,858</u>
Assigned for:			
Unpaid Obligations	\$752		752
Total Assigned	<u>752</u>		<u>752</u>
Unassigned	4,286,767		4,286,767
Total Fund Balance	<u>\$4,287,519</u>	<u>\$972,858</u>	<u>\$5,260,377</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. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

	Capital Improvements
Set-Aside Balance June 30, 2015	
Current Year Set-Aside Requirement	\$80,844
Current Year Offsets	(\$80,844)
Set-Aside Balance June 30, 2016	-

NOTE 15 – CONTINGENCIES

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of grant funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

B. Litigation

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

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 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 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, 2016 Foundation funding for the 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

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is a jointly governed organization among fifty-four member districts/educational service centers. 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. Each of these schools support NOACSC based upon a per pupil charge dependent on the software package utilized.

The NOACSC Assembly consists of a representative from each participating district/educational service center and the superintendent from the fiscal agent. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts/educational service centers within each county, plus one representative from the fiscal agent. During fiscal year 2016, the District paid \$27,317 to NOACSC for various services.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Financial information can be obtained from Ray Burden, who serves as director, at 4277 East Road, Elida, Ohio 45807.

B. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of a representative from each participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information contact the Vantage Career Center, 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. The 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. The District paid NOERC \$200 for membership dues for fiscal year 2016. 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, 2016 as reported on the fund statements:

<u>Advances from the General Fund to:</u>	<u>Amount</u>
<i>Nonmajor Governmental Fund</i>	
Food Service Fund	<u>\$11,179</u>
<u>Advances to the General Fund from:</u>	
<i>Nonmajor Governmental Fund</i>	
Food Service Fund	<u>\$11,179</u>

Current year advances made to the Food Service Fund to subsidize operations were also repaid during the year. Interfund advances between governmental funds are eliminated on the government-wide financial statements.

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

- B.** Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund statements:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
<i>Nonmajor Governmental Funds</i>	
Food Service Fund	\$26,990
Severance Fund	<u>20,000</u>
Total Transfers	<u><u>\$46,990</u></u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts 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.

NOTE 18 – OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year disbursements and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 752
Other Governmental Funds	<u>110,460</u>
Total	<u><u>\$ 111,212</u></u>



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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, the 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 17, 2018, wherein we noted the District uses a special purpose framework other than generally accepting accounting principles.

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 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 2017-002 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 2017-001.

District'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 subject the District's responses to the auditing procedures applied in the audit of the financial statements 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 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 17, 2018

**CONTINENTAL LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance Citation

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

Ohio Admin. Code 117-2-03(B) adds to the general requirements of Ohio Rev. Code § 117.38 by requiring districts to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

The District lacked a Governmental Accounting Statement Standards Board (GASB) Statement No. 34 policy, and as a cost savings measure, the District decided to prepare its financial statements on the cash basis of accounting, which is a basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, presumably, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

The District should prepare its financial statements in accordance with generally accepted accounting principles.

Officials' Response:

The Board of Education and management of the District are knowledgeable concerning the required reporting format (GASB 34 / GAAP) and the similarities and differences from the required reporting format and the method currently incorporated by the District, the other comprehensive basis of accounting. District management officials 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 2017-002

Material Weakness – Monitoring of Financial Statements

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting procedures require there be adequate segregation of duties and monitoring procedures by management. Sound financial reporting is essential to help ensure the information provided to the readers of the financial statements is complete and accurate.

In 2016, the beginning fund balance reported on the General Fund budgetary statement did not agree to the audited prior year ending balance, which resulted in the beginning balance being overstated by \$364,741.

The District lacked a policy regarding financial review which contributed to this material posting discrepancy without detection. As a result, the District's financial statements did not correctly reflect the financial activity of the District. The District's financial statements have been adjusted to reflect these discrepancies.

The Treasurer should post all transactions in accordance with the guidance established by the Uniform School Accounting System. Furthermore, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and the Board, to help ensure errors and omissions are detected and corrected.

Officials' Response:

The Board of Education and management of the District have hired outside auditors to compile the cash basis statements to provide financial review.

CONTINENTAL LOCAL SCHOOLS

Dean Bidlack
President

5211 State Route 634
Continental, OH 45831
419-596-3671

Robin Etter
Member

Chad Olds
Vice President

Danny F. Kissell
Superintendent

Mike Zachrich
Member

Ron Bradford
Member

Joyce Howell
Administrative Assistant

Beverly K. Sabo
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	This finding was first reported in 2004. Material noncompliance with Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(B) for not reporting the District's financial statements on a Generally Accepted Accounting Principles (GAAP) basis.	Not Corrected and reissued as finding 2017-001 in this report.	The District's Board of Education and management considered the cost-benefit of the different reporting formats and determined the current reporting format to be the more fiscally responsible format at this time.
2015-002	Material weakness over fund balance classification.	Corrective action taken and finding is fully corrected.	

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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
AUGUST 7, 2018**