



**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2000-1999**



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

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**STATE OF OHIO**



**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Put-in-Bay Local School District  
Ottawa County  
549 Catawba Avenue  
PO Box 659  
Put-in-Bay, Ohio 43456-0659

To the Board of Education:

We have audited the accompanying financial statements of the Put-in-Bay Local School District, Ottawa County, Ohio, (the District) as of and for the years ended June 30, 2000 and June 30, 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Ohio Administrative Code §117-2-01 requires the District to prepare its financial report in accordance with generally accepted accounting principles. However, as described in Note 1, the District prepares its financial report on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Put-in-Bay Local School District, Ottawa County, Ohio, as of June 30, 2000 and June 30, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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Ottawa County  
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This report is intended solely for the information and use of management, the Board of Education, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

October 26, 2000

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>				
Local Sources:				
Taxes	\$1,044,948	\$17,125		\$1,062,073
Tuition	40,833			40,833
Earnings on Investment	30,899	452		31,351
Miscellaneous Receipts	2,442	2,098	\$5,559	10,099
State Sources:				
Unrestricted Grants-In-Aid	123,605			123,605
Restricted Grants-In-Aid	22,696	12,775	2,004	37,475
Federal Sources:				
Restricted Grants-In-Aid		1,537		1,537
Total Cash Receipts	<u>1,265,423</u>	<u>33,987</u>	<u>7,563</u>	<u>1,306,973</u>
<b>Cash Disbursements</b>				
Instruction:				
Regular	750,293	1,954	2,004	754,251
Special	71,938			71,938
Support Services:				
Pupils	40,659	448		41,107
Instructional Staff	505	2,213	250	2,968
Board of Education	4,100			4,100
Administration	78,470			78,470
Fiscal	59,494	316		59,810
Operation and Maintenance - Plant	88,742			88,742
Central Services	0	2,418		2,418
Pupil Transportation	5,208			5,208
Non-instructional Services:				
Community Service		23,502		23,502
Building Acquisition and Construction				
Educational Specifications Development				
Site Improvement	2,327			2,327
Other			284,679	284,679
Total Cash Disbursements	<u>1,101,736</u>	<u>30,851</u>	<u>286,933</u>	<u>1,419,520</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>163,687</u>	<u>3,136</u>	<u>(279,370)</u>	<u>(112,547)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers-in		406	200,000	200,406
Refund of Prior Year's Expenditures	1,275			1,275
Transfers-out	(200,406)			(200,406)
Total Other Financing Sources (Uses)	<u>(199,131)</u>	<u>406</u>	<u>200,000</u>	<u>1,275</u>
Excess of Cash Receipts and Other Sources Over (Under) Cash Disbursements and Other Uses	(35,444)	3,542	(79,370)	(111,272)
Fund Cash Balances at Beginning of Fiscal Year	<u>473,790</u>	<u>14,159</u>	<u>133,856</u>	<u>621,805</u>
<b>Fund Cash Balances at End of Fiscal Year</b>	<u><b>\$438,346</b></u>	<u><b>\$17,701</b></u>	<u><b>\$54,486</b></u>	<u><b>\$510,533</b></u>
Reserve for Encumbrances	<u>\$26,058</u>	<u>\$5,650</u>	<u>\$1,350</u>	<u>\$33,058</u>

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

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Fiduciary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Nonexpendable Trust</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Earnings on Investments	\$7,660		\$7,660
Extracurricular Activities		\$1,487	1,487
Food Service		48,748	48,748
Miscellaneous Receipts	8,305		8,305
	<u>15,965</u>	<u>50,235</u>	<u>66,200</u>
Total Operating Cash Receipts			
<b>Operating Cash Disbursements</b>			
Supplies and Materials		11,849	11,849
Other Objects	9,564	33,721	43,285
	<u>9,564</u>	<u>45,570</u>	<u>55,134</u>
Total Operating Cash Disbursements			
Excess of Operating Cash Receipts Over (Under) Operating Cash Disbursements	6,401	4,665	11,066
Fund Cash Balances at Beginning of Fiscal Year	<u>137,968</u>	<u>16,956</u>	<u>154,924</u>
<b>Fund Cash Balances at End of Fiscal Year</b>	<b><u>\$144,369</u></b>	<b><u>\$21,621</u></b>	<b><u>\$165,990</u></b>
Reserve for Encumbrances			

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



**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>				
Local Sources:				
Taxes	\$1,027,770	\$16,836		\$1,044,606
Tuition	39,022			39,022
Earnings on Investment	34,570	638		35,208
Miscellaneous Receipts	222	2,185	\$4,264	6,671
State Sources:				
Unrestricted Grants-In-Aid	146,288			146,288
Restricted Grants-In-Aid		10,001	2,890	12,891
Federal Sources:				
Restricted Grants-In-Aid	20,277	1,000		21,277
Total Cash Receipts	<u>1,268,149</u>	<u>30,660</u>	<u>7,154</u>	<u>1,305,963</u>
<b>Cash Disbursements</b>				
Instruction:				
Regular	749,172	11,010		760,182
Special	56,156			56,156
Support Services:				
Pupils	58,794	1,088		59,882
Instructional Staff	622	914		1,536
Board of Education	4,858			4,858
Administration	127,087			127,087
Fiscal	61,428	315		61,743
Operation and Maintenance - Plant	84,199			84,199
Central Services		5,069		5,069
Pupil Transportation	10,537			10,537
Non-instructional Services:				
Community Service		23,011		23,011
Building Acquisition and Construction:				
Site Improvement	9,390			9,390
Other			424,903	424,903
Total Cash Disbursements	<u>1,162,243</u>	<u>41,407</u>	<u>424,903</u>	<u>1,628,553</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	<u>105,906</u>	<u>(10,747)</u>	<u>(417,749)</u>	<u>(322,590)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers-in		402	200,000	200,402
Refund of Prior Year's Expenditures	123			123
Transfers-out	(200,403)			(200,403)
Total Other Financing Sources (Uses)	<u>(200,280)</u>	<u>402</u>	<u>200,000</u>	<u>122</u>
Excess of Cash Receipts and Other Sources Over (Under) Cash Disbursements and Other Uses	<u>(94,374)</u>	<u>(10,345)</u>	<u>(217,749)</u>	<u>(322,468)</u>
Fund Cash Balances at Beginning of Fiscal Year	<u>568,164</u>	<u>24,504</u>	<u>351,605</u>	<u>944,273</u>
<b>Fund Cash Balances at End of Fiscal Year</b>	<b><u>\$473,790</u></b>	<b><u>\$14,159</u></b>	<b><u>\$133,856</u></b>	<b><u>\$621,805</u></b>
Reserve for Encumbrances	<u>\$87,751</u>	<u>\$4,278</u>	<u>\$4,136</u>	<u>\$96,165</u>

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

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Nonexpendable Trust</u>	<u>Agency</u>	
<b>Operating Cash Receipts</b>			
Earnings on Investments	\$6,467		\$6,467
Extracurricular Activities		\$32,590	32,590
Food Service		3,716	3,716
Miscellaneous Receipts	7,527		7,527
	<u>13,994</u>	<u>36,306</u>	<u>50,300</u>
<b>Operating Cash Disbursements</b>			
Supplies and Materials		17,028	17,028
Other Objects	8,180	18,348	26,528
	<u>8,180</u>	<u>35,376</u>	<u>43,556</u>
Excess of Operating Cash Receipts Over (Under) Operating Cash Disbursements	5,814	930	6,744
Fund Cash Balances at Beginning of Fiscal Year	<u>132,154</u>	<u>16,026</u>	<u>148,180</u>
<b>Fund Cash Balances at End of Fiscal Year</b>	<u><b>\$137,968</b></u>	<u><b>\$16,956</b></u>	<u><b>\$154,924</b></u>
Reserve for Encumbrances			

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

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Put-in-Bay Local School District is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for the provision of public education to residents of the District.

The District operates one instructional facility and provides educational services to students from grades 1 through 12.

The District believes these financial statements present all activities for which the District is accountable.

**B. Basis of Accounting**

Although required by Ohio Administrative Code §117-2-01 to prepare its financial statements in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved ).

These statements include adequate disclosures of material matters, as formerly prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant special revenue fund:

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

*Community Education Fund* - This fund is used to account for receipts and expenditures for developing, maximizing, coordinating, enhancing, strengthening, and further legitimizing the process of community interaction and communication with the school district.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The District had the following significant capital project fund:

*Permanent Improvement Fund* - This fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements which are funded from a tax levy.

**4. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the District to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the District is acting in an agency capacity are classified as agency funds. The District had the following significant fiduciary funds:

*Endowment Fund* - This fund is used to account for money which has been set aside as an investment for public school purposes. The income from the fund may be expended, but the principal must remain intact. The fund is classified as a nonexpendable trust fund.

*Student Managed Activity* - This fund is used to account for student activity programs which have student participation in the activity and have students involved in the management of the program. This fund is classified as an agency fund.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Education must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1. The County Budget Commission must also approve estimated resources.

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of fiscal year 2000 and 1999 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$40,278	\$52,757
STAR Ohio	<u>636,245</u>	<u>723,972</u>
Total deposits and investments	<u>\$676,523</u>	<u>\$776,729</u>

**A. Deposits**

Deposits are insured by the Federal Depository Insurance Corporation.

**B. Investments**

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30 was as follows:

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,564,986	\$1,266,698	(\$298,288)
Special Revenue	39,996	34,393	(5,603)
Capital Projects	333,386	207,563	(125,823)
Fiduciary	221,125	66,200	(154,925)
Total	<u>\$2,159,493</u>	<u>\$1,574,854</u>	<u>(\$584,639)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,678,287	\$1,328,200	\$350,087
Special Revenue	45,677	36,501	9,176
Capital Projects	339,114	288,283	50,831
Fiduciary	16,925	55,134	(38,209)
Total	<u>\$2,080,003</u>	<u>\$1,708,118</u>	<u>\$371,885</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,783,263	\$1,268,272	(\$514,991)
Special Revenue	28,946	31,062	2,116
Capital Projects	(101,048)	207,154	308,202
Fiduciary	146,148	50,300	(95,848)
Total	<u>\$1,857,309</u>	<u>\$1,556,788</u>	<u>(\$300,521)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,646,695	\$1,450,397	\$196,298
Special Revenue	46,910	45,685	1,225
Capital Projects	474,771	429,039	45,732
Fiduciary	14,450	43,556	(29,106)
Total	<u>\$2,182,826</u>	<u>\$1,968,677</u>	<u>\$214,149</u>

The District did not properly certify all expenditures as required by Ohio law.

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the April 1 date for which rates are adopted by the Board. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to Ottawa County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the school district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

**5. RETIREMENT SYSTEMS**

**A. School Employees Retirement System**

The District's non-teaching employees belong to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code.

Contributions rates are also prescribed by the Ohio Revised Code. For fiscal years 2000 and 1999, members of SERS contributed 9 percent of their wages to the SERS. The District contributed an amount equal to 14 percent of their wages.

**B. State Teachers Retirement System**

The District's teaching employees belong to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Contributions rates are also prescribed by the Ohio Revised Code. For fiscal years 2000 and 1999, members of STRS contributed 9.3 percent of their wages to the SERS. The District contributed an amount equal to 14 percent of their wages.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

School Employees Retirement System/State Teachers Retirement System. The Board's liability for Social Security is 6.2 percent of wages paid.

**6. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The District also provides health insurance and dental and vision coverage to full-time employees.

**7. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal years ended June 30, 2000 and June 30, 1999, the School District received \$97,416 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

**8. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an



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**NOTES TO THE FINANCIAL STATEMENTS  
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equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998				
Current Year Set-aside Requirement	\$17,450	\$17,450	\$8,725	
Qualifying Disbursements	(96,345)	(401,605)		
Total	<u>(\$78,895)</u>	<u>(\$384,155)</u>	<u>\$8,725</u>	
Cash Balance Carried Forward to FY 1999	<u>(\$78,895)</u>	<u>(\$384,155)</u>	<u>\$8,725</u>	
Total Restricted Assets				<u>\$8,725</u>
	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999			\$8,725	
Current Year Set-aside Requirement	30,825	30,825	10,275	
Current Year Offsets		(200,000)		
Qualifying Disbursements	(48,393)	(49,395)		
Total	<u>(\$17,568)</u>	<u>(\$218,570)</u>	<u>\$19,000</u>	
Cash Balance Carried Forward to FY 2000	<u>(\$17,568)</u>	<u>(\$218,570)</u>	<u>\$19,000</u>	
Total Restricted Assets				<u>\$19,000</u>

Although the District has offsets and qualifying disbursements during the period that reduced the set-aside requirements below zero, those extra amounts may not be used to reduce the set-aside requirements of future years, however, starting with the fiscal year ended June 30, 2000, expenditures in excess of current year or accumulated set-aside requirements in the textbook and instructional materials set-aside may be carried forward to offset future years' textbooks and instructional materials set-aside requirements.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One Government Center  
Room 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

Put-in-Bay Local School District  
Ottawa County  
549 Catawba Avenue  
PO Box 659  
Put-in-Bay, Ohio 43456-0659

To the Board of Education:

We have audited the financial statements of the Put-in-Bay Local School District, Ottawa County, Ohio, (the District) as of and for the years ended June 30, 2000 and June 30, 1999, and have issued our report thereon dated October 26, 2000, in which we noted the District was reporting on a basis of accounting formerly prescribed or permitted by the Auditor of State. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10162-001 and 2000-10162-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated October 26, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 26, 2000.

Put-in-Bay Local School District  
Ottawa County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

October 26, 2000

**PUT-IN-BAY LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
JULY 1, 1998 THROUGH JUNE 30, 2000**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-10162-001**

**Noncompliance Citation**

Ohio Administrative Code § 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its annual financial reports for fiscal years 2000 and 1999 on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other legal remedies may be taken against the District.

We recommend that the District file their financial report in accordance with GAAP.

The District understands this requirement but feels there is no cost-benefit to converting to GAAP.

**FINDING NUMBER 2000-10162-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

We noted that 53% of expenditures tested were not certified prior to the expenditure having been incurred. This could result in expenditures being made in excess of amounts appropriated or available resources.

We recommend that the Treasurer certify all expenditures before the obligation has been incurred. A "then and now certificate" should be used for all emergencies or unforeseen expenditures.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**PUT-IN-BAY LOCAL SCHOOL DISTRICT**

**OTTAWA 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  
NOVEMBER 16, 2000**