



Mary Taylor, CPA
Auditor of State

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Bass Local School District
Ottawa County
515 Kenny Road, P.O. Box 8
Isle Saint George, Ohio 43436-9999

To the Board of Education:

We have audited the accompanying financial statements of the North Bass Local School District, Ottawa County, (the District) as of and for the years ended June 30, 2006 and 2005. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the years ended June 30, 2006 and 2005, in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 1C.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

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

Mary Taylor, CPA
Auditor of State

May 10, 2007

**NORTH BASS 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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Sources:			
Taxes	\$ 18,484		\$ 18,484
Miscellaneous Receipts	5,942		5,942
State Sources:			
Unrestricted Grants-In-Aid	87,946		87,946
Restricted Grants-In-Aid		\$5,377	5,377
Total Cash Receipts	<u>112,372</u>	<u>5,377</u>	<u>117,749</u>
Cash Disbursements			
Instruction:			
Regular	18,260		18,260
Other	64,218	4,000	68,218
Support Services:			
Board of Education	4,863		4,863
Fiscal	12,822	1,983	14,805
Operation and Maintenance - Plant	19,645	55	19,700
Pupil Transportation	40,008	2,763	42,771
Total Cash Disbursements	<u>159,816</u>	<u>8,801</u>	<u>168,617</u>
Excess of Cash Disbursements Over Cash Receipts	(47,444)	(3,424)	(50,868)
Fund Cash Balances at Beginning of Fiscal Year	<u>114,002</u>	<u>3,977</u>	<u>117,979</u>
Fund Cash Balances at End of Fiscal Year	<u>\$ 66,558</u>	<u>\$ 553</u>	<u>\$ 67,111</u>

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

**NORTH BASS 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, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Sources:			
Taxes	\$ 13,855		\$ 13,855
Miscellaneous Receipts	5,540		5,540
State Sources:			
Unrestricted Grants-In-Aid	229,102		229,102
Restricted Grants-In-Aid		\$9,577	9,577
Federal Sources:			
Restricted Grants-In-Aid		16,492	16,492
Total Cash Receipts	<u>248,497</u>	<u>26,069</u>	<u>274,566</u>
Cash Disbursements			
Instruction:			
Regular	86,991	14,925	101,916
Other	45,007		45,007
Support Services:			
Pupils	501	594	1,095
Board of Education	8,913		8,913
Fiscal	21,558	2,682	24,240
Operation and Maintenance - Plant	24,976	4,524	29,500
Pupil Transportation	25,737	5,551	31,288
Total Cash Disbursements	<u>213,683</u>	<u>28,276</u>	<u>241,959</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	34,814	(2,207)	32,607
Fund Cash Balances at Beginning of Fiscal Year (Restated)	<u>79,188</u>	<u>6,184</u>	<u>85,372</u>
Fund Cash Balances at End of Fiscal Year	<u>\$ 114,002</u>	<u>\$ 3,977</u>	<u>\$ 117,979</u>

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

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The North Bass 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.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

B. Jointly Governed Organization

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of 41 public school districts 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 district. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

C. Basis of Accounting

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

These statements omit entity wide statements, and assets, liabilities, fund equities, and required note disclosures.

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 to be accounted for in another fund.

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 funds:

Rural Education Achievement Program Fund - The Rural Education Achievement Program Fund is used to account for Federal monies to supplement the various title programs of small rural school districts.

Educational Management Information Systems Fund – This fund accounts for State revenues used to assist the District with computer data entry.

Disadvantaged Pupil Impact Aid – This fund is used to account for monies received for disadvantaged pupil impact aid.

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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and re-appropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 4.

G. 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.

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

2. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

A. Change in Basis of Accounting

For 2005 the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 1C.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund balances as they were previously reported.

	General	Special Revenue	Total Governmental Funds
Fund Balance June 30, 2004	\$ 67,093	\$ 5,529	\$ 72,622
Eliminate Asset Accruals	(19,685)	(22,456)	(42,141)
Eliminate Liability Accruals	31,780	23,111	54,891
Adjusted Fund Balance June 30, 2004	\$ 79,188	\$ 6,184	\$ 85,372

3. EQUITY IN POOLED CASH

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

	2006	2005
Demand deposits	\$ 67,111	\$ 117,979

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 134,790	\$ 112,372	\$ (22,418)
Special Revenue	6,577	5,377	(1,200)
Total	\$ 141,367	\$ 117,749	\$ (23,618)

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY – (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 252,277	\$ 159,816	\$ 92,461
Special Revenue	10,554	8,801	1,753
Total	\$ 262,831	\$ 168,617	\$ 94,214

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 148,500	\$ 248,497	\$ 99,997
Special Revenue	18,663	26,069	7,406
Total	\$ 167,163	\$ 274,566	\$ 107,403

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 227,688	\$ 213,683	\$ 14,005
Special Revenue	24,847	28,276	(3,429)
Total	\$ 252,535	\$ 241,959	\$ 10,576

5. 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 the County by December 31. If the property owner elects to make semiannual payments, 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 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.

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEMS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEMS – (Continued)

Plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by School Employee Retirement System or State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006 and 2005, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Commercial Property;
- Education Liability.



Mary Taylor, CPA

Auditor of State

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

North Bass Local School District
Ottawa County
515 Kenny Road, P.O. Box 8
Isle Saint George, Ohio 43436-9999

To the Board of Education:

We have audited the financial statements of the North Bass Local School District, Ottawa County, (the District) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated May 10, 2007, wherein we noted the District ceased to report using generally accepted accounting principles and reported on the cash basis. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated May 10, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002. In a separate letter to the District's management dated May 10, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the audit committee, and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 10, 2007

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Finding for Recovery

Ohio Attorney General Opinion No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co., 120 Ohio St. 47 (1929)*; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228*.

On May 26, 2005, the District expended \$704.66 for the purchase of meals and nonalcoholic beverages for a retirement party attended by nineteen individuals including Board Members, Treasurer, Superintendent, Teacher, current and former students, and other individuals not employed by the District. While the District Board has enacted a policy that identifies expenditures for the recognition of employees as a proper public purpose, this policy does not extend beyond employees and students of the District. As a result the expenditures relating to individuals who are neither students nor employed by the District are not considered a proper public purpose. Of the nineteen individuals in attendance, six were not employees or students of the District, the portion of the expenditure not considered a proper public purpose being calculated as follows:

Cost of Meals, Beverages, Tip	\$704.66
Number of Individuals in Attendance	19
Average Cost Per Individual	37.09
Number of Non-Employees in Attendance	6
Expenditures Deemed Non Proper Purpose	<u><u>\$222.52</u></u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended has been issued against Paul Stonerook, Treasurer, and his surety, The Ohio Farmers Insurance Company, James Yelensky, Board President, and his surety, The Ohio Farmers Insurance Company, Joseph Dopps, Board Vice President, and his surety, The Ohio Farmers Insurance Company, Ruth Ann Stonerook, Board Member, Mary Stonerook, Board Member, and Dale Stonerook, Board Member, jointly and severally, in the amount of two hundred twenty two dollars and fifty two cents (\$222.52) in favor of the District.

OFFICIALS' RESPONSE

In response to Finding Number 2006-001 (Finding for Recovery), the North Bass Board of Education has decided it would pay by personal check to the District, the amount of \$222.52 to cover charges paid by the District for meals for individuals that should not have been invited to the party. The Board feels it made the mistake and will cover the charges.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Revised 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 Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District's accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend that the District make arrangements to prepare and file their financial report in accordance with generally accepted accounting principles.

OFFICIALS' RESPONSE

In response to Finding Number 2006-002, the North Bass Board of Education has decided to continue to prepare financial statements on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with GAAP. The Board decided that the cost of reporting using GAAP would be a financial burden. Our District has a very small budget, compared to other Districts and the cost (hiring an accountant) of complying would amount to 10% or so, of our annual budget.



Mary Taylor, CPA
Auditor of State

NORTH BASS 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
JUNE 5, 2007**