



**MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2007 AND 2008**



**Mary Taylor, CPA**  
Auditor of State



MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Middle Bass Local School District  
Ottawa County  
P.O. Box 100  
Middle Bass, Ohio 43446-0100

To the Board of Education:

We have audited the accompanying financial statements of the Middle Bass Local School District, Ottawa County, (the District) as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our 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 or the results of operations of the District as of and for the years ended June 30, 2008 and 2007, in accordance with accounting principles generally accepted in the United States of America.

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

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2008, 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

November 13, 2008

**MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE - GENERAL FUND  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash Receipts:</b>		
Local Sources:		
Taxes	\$153,572	\$133,324
Earnings on Investment	3,954	2,700
Miscellaneous	7	3,327
State Sources:		
Unrestricted Grant-in-Aid	15,106	14,348
<b>Total Cash Receipts</b>	<b>172,639</b>	<b>153,699</b>
<b>Cash Disbursements:</b>		
Other Instruction	85,184	36,713
Supporting Services:		
Board of Education	3,555	3,345
Administration	666	4,068
Fiscal Services	19,686	17,970
Operation and Maintenance - Plant	7,765	9,856
Pupil Transportation	45,715	45,619
Extracurricular Activities:		
Academic and Subject Oriented	16,031	14,012
<b>Total Cash Disbursements</b>	<b>178,602</b>	<b>131,583</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(5,963)</b>	<b>22,116</b>
Fund Cash Balances, July 1	193,715	171,599
<b>Fund Cash Balances, June 30</b>	<b>\$187,752</b>	<b>\$193,715</b>

*At June 30, 2008 and 2007, there is a restricted cash balance of \$11,999.  
See Note 7 to these financial statements.*

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

**MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Middle Bass Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Middle Bass Local School District is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under a five-member elected Board of Education and is responsible for the provision of public education to residents of the District.

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 44 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. Cash and 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 disbursements, respectively.

Certificates of deposit are valued at cost.

**D. 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.



**MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. Fund Accounting**

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

**General Fund**

The General Fund is the general operating fund and accounts for all financial resources.

**F. 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.

The District did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**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.

**MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(Continued)**

**2. CASH**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30 was as follows:

	2008	2007
Bank Deposits:		
Demand deposits	\$ 97,752	\$ 103,715
Certificates of deposit	90,000	90,000
Total Bank Deposits	\$ 187,752	\$ 193,715

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

**3. BUDGETARY ACTIVITY**

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

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 150,000	\$ 172,639	\$ 22,639

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 302,450	\$ 178,602	\$ 123,848

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$ 153,699	\$153,699

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 274,000	\$ 131,583	\$ 142,417

Contrary to Ohio law, 2007 appropriations for the General Fund exceeded the total estimated resources.

**MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(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 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.

**5. 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 District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The District has paid all contributions required through June 30, 2008.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Commercial Property;
- Education Liability.

**MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(Continued)**

**7. STATUTORY RESERVES**

State statute requires public school districts in Ohio to calculate annually, a set aside and reserve of general fund monies based on a statutory formula. The set aside monies are to be used for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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. Currently, the District does not provide teaching services or classroom activities. All Middle Bass students are provided transportation to another District at the expense of the Middle Bass Local School District.

The District is providing the calculation of textbook and capital set-asides as required by State statute, however, the District does not expect to have future expenditures of the type that can be used to eliminate or reduce the reserves. The following cash basis information describes the changes in the year-end set-aside amounts for textbook and capital acquisition. Disclosure of this information is required by State statute.

During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Totals
Balance July 1, 2007	\$ 6,545	\$5,454	
Required Set-Aside			
Offset Credits			
Qualifying Expenditures			
Balance June 30, 2008	<u>6,545</u>	<u>5,454</u>	
Carried Forward to FY 2009	<u>\$ 6,545</u>	<u>\$ 5,454</u>	
Total Restricted Cash			<u>\$ 11,999</u>

During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Totals
Balance July 1, 2006	\$ 6,545	\$5,454	
Required Set-Aside			
Offset Credits			
Qualifying Expenditures			
Balance June 30, 2007	<u>6,545</u>	<u>5,454</u>	
Carried Forward to FY 2008	<u>\$ 6,545</u>	<u>\$ 5,454</u>	
Total Restricted Cash			<u>\$ 11,999</u>



# 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*

Middle Bass Local School District  
Ottawa County  
P.O. Box 100  
Middle Bass, Ohio 43446-0100

To the Board of Education:

We have audited the financial statements of the Middle Bass Local School District, Ottawa County, (the District) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 13, 2008, wherein we issued an adverse opinion because the District prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. 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*.

### Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated November 13, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2008-001 and 2008-002.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 13, 2008.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 13, 2008

**MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Noncompliance Citation**

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with 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 the District make arrangements to prepare and file their financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

At this time the Board of the Middle Bass Local Board of Education has no intention of switching to GAAP reporting as the cash basis of accounting currently in place is more useful and representative of our District and switching to GAAP would not be cost effective.

**FINDING NUMBER 2008-002**

**Noncompliance Citation**

Ohio Revised Code §5705.36 states on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, with any balances that existed at the end of the preceding year. Additionally, Ohio Revised Code §5705.39 provides in part total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure therefrom, as certified by the budget commission.

The District passed 2007 General Fund appropriations of \$274,000 but did not obtain estimated resources from the County. The Treasurer did not submit the fund balance and amount available for expenditure to the Ottawa County Auditor for Fiscal Year 2007, until January, 2007. As a result, the County Auditor did not issue an Amended Certificate of estimated Resources to the District and could not certify appropriations did not exceed such certificate.

The failure to obtain an Amended Certificate of Estimated Resources and limit appropriations to amounts certified could allow for deficit spending practices, resulting in deficit fund balance. The Treasurer should certify fund balances and amounts available for expenditure to the Ottawa County Auditor on or about the first day of the fiscal year. Once an Amended Certificate of Estimated Resources is received, the Treasurer should monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

**Officials' Response:**

This must have been an oversight by the Treasurer and hopefully will not be repeated.



**MIDDLE BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2006-001	Ohio Administrative Code § 117-2-03 (B) Failure to file GAAP report.	No	Not corrected. Reissued as finding number 2008-001 in this report.





**Mary Taylor, CPA**  
Auditor of State

**MIDDLE 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  
DECEMBER 18, 2008**