



**NORTH BASS 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**



**NORTH BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

North Bass Local School District  
Ottawa County  
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, Ohio, (the District) as of and for the years ended June 30, 2000 and 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 of the North Bass Local School District, Ottawa County, Ohio, as of June 30, 2000 and 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 November 27, 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.

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

November 27, 2000

**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, 2000**

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash receipts:</b>				
Local Taxes	\$14,576			\$14,576
State Sources:				
Unrestricted Grants-in-Aid	92,889			92,889
Restricted Grants-in-Aid		\$6,466	\$1,000	7,466
Federal Sources:				
Restricted Grants-in-Aid		1,167		1,167
Miscellaneous	5,100			5,100
<b>Total cash receipts</b>	<u>112,565</u>	<u>7,633</u>	<u>1,000</u>	<u>121,198</u>
<b>Cash disbursements:</b>				
Instruction:				
Regular	57,794	1,272	9,805	68,871
Supporting Services:				
Pupils	199			199
Instructional	621			621
Board of Education	2,177			2,177
Fiscal Services	11,545	5,842		17,387
Operation and Maintenance - Plant	42,839			42,839
Pupil Transportation	1,415			1,415
<b>Total cash disbursements</b>	<u>116,590</u>	<u>7,114</u>	<u>9,805</u>	<u>133,509</u>
<b>Total receipts over/(under) cash disbursements</b>	<u>(4,025)</u>	<u>519</u>	<u>(8,805)</u>	<u>(12,311)</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(4,025)	519	(8,805)	(12,311)
Fund cash balances, July 1, 1999	37,850	10,767	9,805	58,422
<b>Fund cash balances, June 30, 2000</b>	<u><b>\$33,825</b></u>	<u><b>\$11,286</b></u>	<u><b>\$1,000</b></u>	<u><b>\$46,111</b></u>

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

General Fund cash balances include restricted cash in the amount of \$943 and \$1,206 as of December 31, 1999 and 2000, respectively. See Note 8 to these financial statements.

**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, 1999**

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash receipts:</b>				
Local Taxes	\$14,101			\$14,101
State Sources:				
Unrestricted Grants-in-Aid	88,119			88,119
Restricted Grants-in-Aid		\$9,340	\$6,581	15,921
Miscellaneous	2,383			2,383
<b>Total cash receipts</b>	<u>104,603</u>	<u>9,340</u>	<u>6,581</u>	<u>120,524</u>
<b>Cash disbursements:</b>				
Instruction:				
Regular	54,304	8,441	2,632	65,377
Supporting Services:				
Pupils	4,503			4,503
Board of Education	1,479			1,479
Fiscal Services	17,676	3,785		21,461
Operation and Maintenance - Plant	10,318		480	10,798
Pupil Transportation	880			880
<b>Total cash disbursements</b>	<u>89,160</u>	<u>12,226</u>	<u>3,112</u>	<u>104,498</u>
<b>Total receipts over/(under) cash disbursements</b>	<u>15,443</u>	<u>(2,886)</u>	<u>3,469</u>	<u>16,026</u>
<b>Other financing receipts/(disbursements):</b>				
Transfers-in			266	266
Transfers-out			(266)	(266)
Refund of Prior Years Disbursement	1,501			1,501
<b>Total other financing receipts/(disbursements)</b>	<u>1,501</u>			<u>1,501</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	16,944	(2,886)	3,469	17,527
Fund cash balances, July 1, 1998	20,906	13,653	6,336	40,895
<b>Fund cash balances, June 30, 1999</b>	<u><u>\$37,850</u></u>	<u><u>\$10,767</u></u>	<u><u>\$9,805</u></u>	<u><u>\$58,422</u></u>

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

General Fund cash balances include restricted cash in the amount of \$943 as of December 31, 1999. See Note 8 to these financial statements.



**NORTH BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The North Bass Local School District, Ottawa County, (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 District is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under an 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. 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.

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.

**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 capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

**NORTH BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

*Management Information System Fund* - A fund provided for hardware and software development, or other costs associated with the requirements of the management information system.

*Disadvantaged Pupil Impact Aid Fund* - A fund used to account for monies received for disadvantaged pupil impact aid.

- 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 funds:

*School Net Grant Fund* - A fund provided to account for wiring to all classrooms in the State and to provide a computer workstation and related technology for every classroom in Ohio's low-wealth school districts.

*Technology Equity Fund* - A fund provided to account for technology equity funding to low-wealth school districts.

**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 reapportioned in the subsequent year.

A summary of 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.

**NORTH BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

**G. Unpaid Sick Leave**

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon leaving employment. Unpaid sick leave is not reflected as a liability 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	\$13,112	\$17,928
Star Ohio	<u>32,999</u>	<u>40,494</u>
Total deposits and investments	<u>\$46,111</u>	<u>\$58,422</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**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, 2000 and 1999 was as follows:

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$74,816	\$112,565	\$37,749
Special Revenue	8,019	7,633	(386)
Capital Projects	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total	<u>\$82,835</u>	<u>\$121,198</u>	<u>\$38,363</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$112,666	\$116,590	(\$3,924)
Special Revenue	18,176	7,115	11,061
Capital Projects	<u>9,805</u>	<u>9,805</u>	<u>9,805</u>
Total	<u>\$140,647</u>	<u>\$133,510</u>	<u>\$7,137</u>

**NORTH BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$92,012	\$106,104	\$14,092
Special Revenue	6,311	9,340	3,029
Capital Projects	1,681	6,847	5,166
Total	<u>\$100,004</u>	<u>\$122,291</u>	<u>\$22,287</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,918	\$89,160	\$23,758
Special Revenue	19,964	12,226	7,738
Capital Projects	8,017	3,378	4,639
Total	<u>\$140,899</u>	<u>\$104,764</u>	<u>\$36,135</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the April 1 date for which rates are adopted by the District. 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 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. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District's full time employees belong to the School Employee Retirement System (SERS). SERS is a cost sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**NORTH BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of SERS contributed 9 percent of their gross salaries. The District contributed an amount equal to 14 percent of the participant's gross salaries. The District has paid all contributions required through June 30, 2000.

**B. State Teachers Retirement System**

The District's teacher belongs to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of STRS contributed 9.3 percent of their gross salaries. The District contributed an amount equal to 14 percent of the participant's gross salaries. The District has paid all contributions required through June 30, 2000.

**6. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

**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. During the fiscal years ended June 30, 2000 and 1999, the School District received \$95,430 and \$93,224, respectfully, 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[ing] 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.

**NORTH BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000 AND 1999  
(Continued)**

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 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 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 District is also required to set aside money for budget stabilization.

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

2000 Set-aside Amounts				
	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999			\$943	
Current Year Set-aside Requirement	\$789	\$789	263	
Current Year Offsets				
Qualifying Disbursements	(1,101)	(26,300)		
Total	(\$312)	(\$25,511)	\$1,206	
Cash Balance Carried Forward to Fiscal Year 2001			\$1,206	
Total Restricted Assets				\$1,206

1999 Set-aside Amounts				
	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999				
Current Year Set-aside Requirement	\$477	\$477	\$943	
Current Year Offsets				
Qualifying Disbursements	(671)	(2,069)		
Total	(\$194)	(\$1,592)	\$943	
Cash Balance Carried Forward to Fiscal Year 2000			\$943	
Total Restricted Assets				\$943

Although the District has offsets and qualifying disbursements during the period that reduced the textbook and capital acquisition set-aside requirements below zero, only the excess spent for textbooks during the year ended June 30, 2000 may be used to reduce the set-aside requirements of future years.



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

North Bass Local School District  
Ottawa County  
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, Ohio, (the District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated November 27, 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 a matter of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item #2000-10162-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 27, 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated November 27, 2000.

North Bass 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

November 27, 2000



**NORTH BASS LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2000 AND 1999**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**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.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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**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  
DECEMBER 26, 2000**