



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

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2005 AND 2006**



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Put-in-Bay Local School District  
Ottawa County  
549 Catawba Avenue, P.O. 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, (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.

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 October 23, 2006, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 23, 2006

**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, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Local Sources:				
Taxes	\$ 1,653,599	\$ 26,523	\$ 84,490	\$ 1,764,612
Tuition	93,360			93,360
Earnings on Investment	32,968			32,968
Miscellaneous Receipts	1,370	4,160	10,585	16,115
State Sources:				
Unrestricted Grants-In-Aid	212,579			212,579
Restricted Grants-In-Aid	99,573	15,766		115,339
Federal Sources:				
Restricted Grants-In-Aid		43,491		43,491
Total Cash Receipts	2,093,449	89,940	95,075	2,278,464
<b>Cash Disbursements</b>				
Instruction:				
Regular	1,105,726	25,820		1,131,546
Special	116,339	16,883		133,222
Support Services:				
Pupils	77,569	2,415		79,984
Instructional Staff	2,091	5,406		7,497
Board of Education	10,964			10,964
Administration	132,648			132,648
Fiscal	97,786	360		98,146
Operation and Maintenance - Plant	165,746			165,746
Central Services		8,306	735	9,041
Pupil Transportation	30,277			30,277
Extracurricular Activities:				
Academic and Subject Oriented	1,968			1,968
Sports Oriented	32,773			32,773
Co-Curricular Activities	431			431
Non-instructional Services:				
Community Service	100	26,589		26,689
Building Acquisition and Construction:				
Building Acquisition & Construction	153,742			153,742
Other Facilities Acquisition and Construction			46,258	46,258
Total Cash Disbursements	1,928,160	85,779	46,993	2,060,932
Excess of Cash Receipts Over Cash Disbursements	165,289	4,161	48,082	217,532

(Continued)

**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, 2006  
(Continued)**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Other Financing Sources (Uses)</b>				
Transfers-in		360	56,195	56,555
Refund of Prior Year's Expenditures	902			902
Transfers-out	(55,651)	(904)		(56,555)
Total Other Financing Sources (Uses)	(54,749)	(544)	56,195	902
Excess of Cash Receipts and Other Sources Over Cash Disbursements and Other Uses	110,540	3,617	104,277	218,434
Fund Cash Balances at Beginning of Fiscal Year	821,043	14,604	186,317	1,021,964
Fund Cash Balances at End of Fiscal Year	\$ 931,583	\$ 18,221	\$ 290,594	\$ 1,240,398
Reserve for Encumbrances	\$ 28,357	\$ 3,612		\$ 31,969

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, 2006**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts</b>			
Earnings on Investments	\$ 4,897		\$ 4,897
Extracurricular Activities		\$ 38,146	38,146
Food Service		123	123
Miscellaneous Receipts	11,141		11,141
Total Operating Cash Receipts	16,038	38,269	54,307
<b>Operating Cash Disbursements</b>			
Supplies and Materials		13,658	13,658
Other Objects	9,746	26,344	36,090
Total Operating Cash Disbursements	9,746	40,002	49,748
Excess of Operating Cash Disbursements Over (Under) Operating Cash Receipts	6,292	(1,733)	4,559
Fund Cash Balances at Beginning of Fiscal Year	133,253	20,283	153,536
Fund Cash Balances at End of Fiscal Year	\$ 139,545	\$ 18,550	\$ 158,095

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, 2005**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Local Sources:				
Taxes	\$ 1,504,670	\$ 24,400	\$ 81,651	\$ 1,610,721
Tuition	115,090			115,090
Earnings on Investment	14,348	163		14,511
Miscellaneous Receipts	566	1,459	2,798	4,823
State Sources:				
Unrestricted Grants-In-Aid	315,089			315,089
Restricted Grants-In-Aid	87,458	16,684	735	104,877
Federal Sources:				
Restricted Grants-In-Aid		43,426		43,426
Total Cash Receipts	2,037,221	86,132	85,184	2,208,537
<b>Cash Disbursements</b>				
Instruction:				
Regular	1,075,475	26,916		1,102,391
Special	85,200	14,737		99,937
Support Services:				
Pupils	88,270	3,572		91,842
Instructional Staff	203	3,354		3,557
Board of Education	8,770			8,770
Administration	119,142			119,142
Fiscal	99,316	681		99,997
Operation and Maintenance - Plant	200,668			200,668
Central Services		12,366		12,366
Pupil Transportation	5,555			5,555
Non-instructional Services:				
Community Service	(1,600)	28,113		26,513
Extracurricular Activities:				
Academic and Subject Oriented	1,983			1,983
Sports Oriented	28,040			28,040
Co-Curricular Activities	388			388
Building Acquisition and Construction:				
Building Acquisition and Construction	153,742			153,742
Other Facilities Acquisition and Construction			47,318	47,318
Total Cash Disbursements	1,865,152	89,739	47,318	2,002,209

(Continued)

**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, 2005  
(Continued)**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Excess of Cash Receipts Over (Under) Cash Disbursements	172,069	(3,607)	37,866	206,328
<b>Other Financing Sources (Uses)</b>				
Transfers-in		2,057		2,057
Refund of Prior Year's Expenditures	8,077			8,077
Transfers-out	(2,057)			(2,057)
Total Other Financing Sources (Uses)	6,020	2,057		8,077
Excess of Cash Receipts and Other Sources Over (Under) Cash Disbursements and Other Uses	178,089	(1,550)	37,866	214,405
Fund Cash Balances at Beginning of Fiscal Year	642,954	16,154	148,451	807,559
Fund Cash Balances at End of Fiscal Year	\$ 821,043	\$ 14,604	\$ 186,317	\$ 1,021,964
Reserve for Encumbrances	\$ 34,482	\$ 4,532		\$ 39,014

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, 2005**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts</b>			
Earnings on Investments	\$ 2,217		\$ 2,217
Extracurricular Activities		\$ 57,934	57,934
Food Service		115	115
Miscellaneous Receipts	4,651		4,651
Total Operating Cash Receipts	6,868	58,049	64,917
<b>Operating Cash Disbursements</b>			
Supplies and Materials		25,355	25,355
Other Objects	10,281	43,068	53,349
Total Operating Cash Disbursements	10,281	68,423	78,704
Excess of Operating Cash Disbursements Over Operating Cash Receipts	(3,413)	(10,374)	(13,787)
Fund Cash Balances at Beginning of Fiscal Year	136,666	30,657	167,323
Fund Cash Balances at End of Fiscal Year	\$ 133,253	\$ 20,283	\$ 153,536

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  
JUNE 30, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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 kindergarten through grade 12.

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

**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. Public Entity Risk Pools**

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

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

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

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

San-Ott School Employees Welfare Benefit Association

The San-Ott School Employees Welfare Benefit Association (Association) is a public entity risk pool comprised of 10 districts from Sandusky and Ottawa counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the Association. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by writing to San-Ott Consortium, Shane Baumgardner, Treasurer of Danbury Local School District, at 9451 East Harbor Road, Marblehead, Ohio 43440.

**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.

**E. 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.

**2. Special Revenue Fund**

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:

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 District.

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

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

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

Other Federal Grants Fund – This fund is used to account for REAP Small Rural School Achievement program receipts and expenditures for activities used to help improve the quality of teaching and learning in the 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 Activities Fund - 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.

**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. Unencumbered appropriations lapse at year end.

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

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

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

**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.

**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 2006 and 2005 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.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

**2. 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
Bank Deposits:		
Demand deposits	\$ 75,706	\$ 61,757
Certificates of deposit	59,063	
Savings accounts	1,263,724	1,113,743
Total Bank Deposits	\$ 1,398,493	\$ 1,175,500

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



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

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

**3. 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	\$ 1,990,504	\$ 2,094,351	\$ 103,847
Special Revenue	89,398	90,300	902
Capital Projects	151,270	151,270	
Fiduciary	54,307	54,307	
Total	\$ 2,285,479	\$ 2,390,228	\$ 104,749

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,118,318	\$ 2,012,168	\$ 106,150
Special Revenue	102,951	90,295	12,656
Capital Projects	109,719	46,993	62,726
Fiduciary	76,759	49,748	27,011
Total	\$ 2,407,747	\$ 2,199,204	\$ 208,543

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,710,300	\$ 2,045,298	\$ 334,998
Special Revenue	74,083	88,189	14,106
Capital Projects	66,735	85,184	18,449
Fiduciary	53,352	64,917	11,565
Total	\$ 1,904,470	\$ 2,283,588	\$ 379,118

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,894,277	\$ 1,901,691	\$ (7,414)
Special Revenue	110,970	94,271	16,699
Capital Projects	100,735	47,318	53,417
Fiduciary	83,696	78,704	4,992
Total	\$ 2,189,678	\$ 2,121,984	\$ 67,694

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005  
(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 State: Unrestricted Grants-In-Aid. 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. LEASE/PURCHASE AGREEMENT**

The District entered into a lease/purchase agreement with Fifth-Third Bank in accordance with § 3313.375 of the Ohio Revised Code. This agreement is for building improvements to the District's only school building. The District will pay the Bank semi-annual rent payments for 15 years, starting October 15, 2002, and ending with the final payment on April 15, 2017, with an annual interest rate of 5.93 percent. The semi-annual rent payments including principal and interest will be \$76,870.76. As stated in the lease/purchase agreement, the District can fully execute the terms of the agreement at any time by paying off remaining payments in a lump sum. Upon fully executing the terms of the lease/purchase agreement the District will assume ownership of the school building.

**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.

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

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

**6. RETIREMENT SYSTEMS – (Continued)**

**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.

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.

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

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

**7. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Property;
- General Liability;
- Crime;
- Inland Marine;
- Automobile;
- Ohio School Plan / Education Liability.

**Risk Pool Membership**

San-Ott Schools Employee Welfare Benefit Association

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (the Association), whose purpose is to provide health coverage and benefits to and for the eligible employees of the Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims.

OSBA Workers' Compensation Group Rating

For fiscal years 2006 and 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 1.C). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

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

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

**8. STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis.

During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition Reserve
Balance July 1, 2005	\$ (61,228)	
Required Set-Aside	11,088	\$ 11,088
Offset Credits		(78,900)
Qualifying Expenditures	(18,636)	(119,290)
Balance June 30, 2006	\$ (68,776)	\$ (187,102)
Carried Forward to FY 2007	\$ (68,776)	

During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition Reserve
Balance July 1, 2004	\$ (44,980)	
Required Set-Aside	11,456	\$ 11,456
Offset Credits		(74,576)
Qualifying Expenditures	(27,704)	(79,232)
Balance June 30, 2005	\$ (61,228)	\$ (142,352)
Carried Forward to FY 2006	\$ (61,228)	

The District had offsets and qualifying disbursements during the years that reduced the set-aside amounts below zero for the textbook/instructional materials reserve. This extra money may be used to reduce the set-aside requirement for future years. The negative amounts are therefore presented as being carried forward to the next fiscal year.

Although the District had offsets and qualifying disbursements during the years that reduced the set-aside amounts below zero for the capital acquisition reserve, these extra moneys may not be used to reduce the set-aside requirement for future years. The negative amounts are therefore not presented as being carried forward to the next fiscal year.

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

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

**9. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**10. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State  
Betty Montgomery**

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

Put-in-Bay Local School District  
Ottawa County  
549 Catawba Avenue, P.O. 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, (the District) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated October 23, 2006, wherein we noted that 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 *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 October 23, 2006, 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated October 23, 2006, we reported other matters related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Put-in-Bay Local School District  
Ottawa County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

October 23, 2006



**PUT-IN-BAY 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**

**FINDING NUMBER 2006-001**

**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**

The District understands this requirement but feels there are no cost-benefits to converting to GAAP.

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

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

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>
2004-001	Ohio Administrative Code § 117-2-03 (B) Failure to file GAAP report.	No	Not corrected. Reissued as finding number 2006-001 in this report.



**Auditor of State  
Betty Montgomery**

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 21, 2006**