



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 16
Isle Saint George, Ohio 43436-0016

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, 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.

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

**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, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Sources:			
Taxes	\$ 12,513		\$ 12,513
Earnings on Investment	1,348		1,348
Miscellaneous Receipts	352		352
State Sources:			
Unrestricted Grants-In-Aid	81,489		81,489
Total Cash Receipts	<u>95,702</u>		<u>95,702</u>
Cash Disbursements			
Instruction:			
Regular	727		727
Other	64,869	\$ 379	65,248
Support Services:			
Board of Education	7,236		7,236
Fiscal	16,292		16,292
Operation and Maintenance - Plant	12,918		12,918
Pupil Transportation	35,555		35,555
Total Cash Disbursements	<u>137,597</u>	<u>379</u>	<u>137,976</u>
Excess of Cash Receipts Under Cash Disbursements	(41,895)	(379)	(42,274)
Fund Cash Balances at Beginning of Fiscal Year	<u>83,332</u>	<u>\$ 379</u>	<u>83,711</u>
Fund Cash Balances at End of Fiscal Year	<u>\$ 41,437</u>		<u>\$ 41,437</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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Sources:			
Taxes	\$ 11,706		\$ 11,706
Earnings on Investment	1,617		1,617
Miscellaneous Receipts	365		365
State Sources:			
Unrestricted Grants-In-Aid	148,572		148,572
Restricted Grants-In-Aid		\$ 3,279	3,279
Total Cash Receipts	<u>162,260</u>	<u>3,279</u>	<u>165,539</u>
Cash Disbursements			
Instruction:			
Regular	105		105
Other	72,027	1,398	73,425
Support Services:			
Board of Education	4,945		4,945
Fiscal	19,656	255	19,911
Operation and Maintenance - Plant	11,283		11,283
Pupil Transportation	<u>37,472</u>	<u>1,800</u>	<u>39,272</u>
Total Cash Disbursements	<u>145,488</u>	<u>3,453</u>	<u>148,941</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	16,772	(174)	16,598
Fund Cash Balances at Beginning of Fiscal Year	<u>66,560</u>	<u>553</u>	<u>67,113</u>
Fund Cash Balances at End of Fiscal Year	<u>\$ 83,332</u>	<u>\$ 379</u>	<u>\$ 83,711</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, 2008 AND 2007**

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 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

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

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:

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The District had the following significant special revenue funds:

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.

Poverty Based Assistance – This fund is used to account for monies received due to the economic valuation of the island.

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.

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

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment 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:

	2008	2007
Demand deposits	\$ 15,119	\$ 58,410
STAR Ohio	26,318	25,301
Total deposits and investments	\$ 41,437	\$ 83,711

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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 116,380	\$ 95,702	\$ (20,678)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$ 186,700	\$ 137,597	\$ 49,103
Special Revenue		379	(379)
Total	\$ 186,700	\$ 137,976	\$ 48,724

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

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

3. BUDGETARY ACTIVITY – (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 124,740	\$ 162,260	\$ 37,520
Special Revenue	6,600	3,279	(3,321)
Total	\$ 131,340	\$ 165,539	\$ 34,199

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 251,300	\$ 145,488	\$ 105,812
Special Revenue	7,198	3,453	3,745
Total	\$ 258,498	\$ 148,941	\$ 109,557

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

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.

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

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

5. 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 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.

B. 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, 2008 and 2007, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Commercial Property;
- Education Liability.

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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 16
Isle Saint George, Ohio 43436-0016

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, 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or 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 a certain noncompliance matter 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 the audit committee, 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

**NORTH BASS LOCAL SCHOOL DISTRICT
OTTAWA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

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

Officials' Response:

The North Bass Board of Education will continue to report on a cash basis. Due to the size of our district and the fact that we have no new capital expenditures nor do we have any loans, we will not be using GAAP.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Revised Code §5705.39 provides in part that total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission.

The General fund's 2007 appropriations of \$251,300 exceeded estimated resources by \$60,000.

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 balances.

**FINDING NUMBER 2008-002
(Continued)**

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:

The North Bass Board of Education's Treasurer will limit appropriations to the amount of the Amended Certificate of Estimated Resources.

**NORTH 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; <i>Explain:</i>
2006-001	Ohio Revised Code § 117.38 Finding for Recovery for illegal expenditures for a retirement party.	Yes	
2006-002	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

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 9, 2008**