



**Mary Taylor, CPA**  
Auditor of State



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

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# Mary Taylor, CPA

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## INDEPENDENT ACCOUNTANTS' REPORT

Put-in-Bay Local School District  
Ottawa County  
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, 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 audit.

We conducted our audit 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 audit 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 audit provides 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 December 1, 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 audit.

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

December 1, 2008

**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, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Local Sources:				
Taxes	\$ 2,051,878	\$ 33,665	\$ 108,326	\$ 2,193,869
Tuition	153,183			153,183
Earnings on Investment	36,128	1,329	23,320	60,777
Miscellaneous Receipts	412	4,805	124	5,341
State Sources:				
Unrestricted Grants-In-Aid	213,637			213,637
Restricted Grants-In-Aid		27,182	15,431	42,613
Federal Sources:				
Restricted Grants-In-Aid		12,914		12,914
Total Cash Receipts	2,455,238	79,895	147,201	2,682,334
<b>Cash Disbursements</b>				
Instruction:				
Regular	1,173,565	13,904		1,187,469
Special	119,488	17,438		136,926
Support Services:				
Pupils	103,832	187		104,019
Instructional Staff	4,101	4,495		8,596
Board of Education	11,714			11,714
Administration	178,387			178,387
Fiscal	119,214	965	1,848	122,027
Operation and Maintenance - Plant	178,150	28		178,178
Central Services		2,993	6,000	8,993
Pupil Transportation	41,819			41,819
Extracurricular Activities:				
Academic and Subject Oriented	3,007			3,007
Sports Oriented	46,838			46,838
Co-Curricular Activities	1,184			1,184
Non-instructional Services:				
Community Service	(1,000)	40,012		39,012
Building Acquisition and Construction:				
Site Improvement	1,078			1,078
Building Acquisition and Construction	200,000			200,000
Other Facilities Acquisition and Construction			20,654	20,654
Total Cash Disbursements	2,181,377	80,022	28,502	2,289,901
Excess of Cash Receipts Over/(Under)				
Cash Disbursements	273,861	(127)	118,699	392,433

(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, 2008  
(Continued)**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Other Financing Sources (Uses)</b>				
Transfers-in			200,000	200,000
Refund of Prior Year's Expenditures	4,041			4,041
Transfers-out	(200,000)			(200,000)
Total Other Financing Sources (Uses)	(195,959)		200,000	4,041
Excess of Cash Receipts and Other Sources Over/(Under)				
Cash Disbursements and Other Uses	77,902	(127)	318,699	396,474
Fund Cash Balances at Beginning of Fiscal Year	1,151,669	26,516	418,074	1,596,259
Fund Cash Balances at End of Fiscal Year	\$ 1,229,571	\$ 26,389	\$ 736,773	\$ 1,992,733
Reserve for Encumbrances	\$ 27,223	\$ 2,517	\$ 51,426	\$ 81,166

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, 2008**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Private Purpose Trust	Agency	
<b>Operating Cash Receipts</b>			
Earnings on Investments	\$ 4,478		\$ 4,478
Extracurricular Activities		\$ 83,070	83,070
Food Service		26	26
Miscellaneous Receipts	17,617		17,617
Total Operating Cash Receipts	22,095	83,096	105,191
<b>Operating Cash Disbursements</b>			
Supplies and Materials		62,725	62,725
Other Objects	12,990	16,428	29,418
Total Operating Cash Disbursements	12,990	79,153	92,143
Excess of Operating Cash Receipts Over Operating Cash Disbursements	9,105	3,943	13,048
Fund Cash Balances at Beginning of Fiscal Year	140,253	23,400	163,653
Fund Cash Balances at End of Fiscal Year	\$ 149,358	\$ 27,343	\$ 176,701

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, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Local Sources:				
Taxes	\$ 1,829,724	\$ 29,934	\$ 129,404	\$ 1,989,062
Tuition	113,435			113,435
Earnings on Investment	50,852	873	15,533	67,258
Miscellaneous Receipts	369	1,910	60	2,339
State Sources:				
Unrestricted Grants-In-Aid	180,810			180,810
Restricted Grants-In-Aid	116,339	27,395	13,498	157,232
Federal Sources:				
Restricted Grants-In-Aid		30,600		30,600
Total Cash Receipts	2,291,529	90,712	158,495	2,540,736
<b>Cash Disbursements</b>				
Instruction:				
Regular	1,080,471	30,838		1,111,309
Special	127,845	16,570		144,415
Support Services:				
Pupils	76,132			76,132
Instructional Staff	2,781	6,980		9,761
Board of Education	11,449			11,449
Administration	182,860			182,860
Fiscal	113,703	897	1,631	116,231
Operation and Maintenance - Plant	196,947			196,947
Central Services		4,272	6,000	10,272
Pupil Transportation	7,616	123		7,739
Non-instructional Services:				
Community Service	3,000	25,027		28,027
Extracurricular Activities:				
Academic and Subject Oriented	3,287			3,287
Sports Oriented	44,750			44,750
Co-Curricular Activities	466			466
Building Acquisition and Construction:				
Building Acquisition and Construction	19,245			19,245
Other Facilities Acquisition and Construction	200,000		23,383	223,383
Total Cash Disbursements	2,070,552	84,707	31,014	2,186,273

(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, 2007  
(Continued)**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Excess of Cash Receipts Over Cash Disbursements	220,977	6,005	127,481	354,463
<b>Other Financing Sources (Uses)</b>				
Transfers-in		2,289		2,289
Refund of Prior Year's Expenditures	1,397			1,397
Transfers-out	(2,289)			(2,289)
Total Other Financing Sources (Uses)	(892)	2,289		1,397
Excess of Cash Receipts and Other Sources Over Cash Disbursements and Other Uses	220,085	8,294	127,481	355,860
Fund Cash Balances at Beginning of Fiscal Year	931,584	18,222	290,593	1,240,399
Fund Cash Balances at End of Fiscal Year	\$ 1,151,669	\$ 26,516	\$ 418,074	\$ 1,596,259
Reserve for Encumbrances	\$ 37,243	\$ 6,930	\$ 12,601	\$ 56,774

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, 2007**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Private Purpose Trust	Agency	
<b>Operating Cash Receipts</b>			
Earnings on Investments	\$ 6,197		\$ 6,197
Extracurricular Activities		\$ 39,879	39,879
Miscellaneous Receipts	6,689		6,689
Total Operating Cash Receipts	12,886	39,879	52,765
<b>Operating Cash Disbursements</b>			
Supplies and Materials		21,596	21,596
Other Objects	12,179	13,432	25,611
Total Operating Cash Disbursements	12,179	35,028	47,207
Excess of Operating Cash Receipts Over Operating Cash Disbursements	707	4,851	5,558
Fund Cash Balances at Beginning of Fiscal Year	139,546	18,549	158,095
Fund Cash Balances at End of Fiscal Year	\$ 140,253	\$ 23,400	\$ 163,653

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, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The 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 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. 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, 2008 AND 2007  
(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:

Special Recreation 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, 2008 AND 2007  
(Continued)**

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

IDEA Title VI-B Fund – This fund is used to account for federal monies which assist states in the identification of handicapped children, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

**3. Capital Project Fund**

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**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the District's own programs. Agency funds are purely custodial in nature and are used to hold resources as directed by the individual, organization or other government. 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 scholarship program for students. The investment income from the fund may be expended, but the principal must remain intact. The fund is classified as a private-purpose 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, 2008 AND 2007  
(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 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.

**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:

	<u>2008</u>	<u>2007</u>
Bank Deposits:		
Demand deposits	\$ 171,376	\$ 137,243
Certificates of deposit	311,567	\$ 100,490
Savings accounts	1,686,491	1,522,179
Total Bank Deposits	<u>\$ 2,169,434</u>	<u>\$ 1,759,912</u>

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, 2008 AND 2007  
(Continued)**

**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	\$ 2,490,385	\$ 2,459,279	\$ (31,106)
Special Revenue	101,492	79,895	(21,597)
Capital Projects	354,640	347,201	(7,439)
Fiduciary	106,526	105,191	(1,335)
Total	<u>\$ 3,053,043</u>	<u>\$ 2,991,566</u>	<u>\$ (61,477)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,650,402	\$ 2,408,600	\$ 241,802
Special Revenue	86,660	82,539	4,121
Capital Projects	81,240	79,928	1,312
Fiduciary	122,196	92,143	30,053
Total	<u>\$ 2,940,498</u>	<u>\$ 2,663,210</u>	<u>\$ 277,288</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,292,926	\$ 2,292,926	\$
Special Revenue	92,734	93,001	267
Capital Projects	156,594	158,495	1,901
Fiduciary	52,766	52,765	(1)
Total	<u>\$ 2,595,020</u>	<u>\$ 2,597,187</u>	<u>\$ 2,167</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,294,502	\$ 2,110,084	\$ 184,418
Special Revenue	93,264	91,637	1,627
Capital Projects	56,000	43,615	12,385
Fiduciary	55,691	47,207	8,484
Total	<u>\$ 2,499,457</u>	<u>\$ 2,292,543</u>	<u>\$ 206,914</u>

**PUT-IN-BAY 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 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 Section 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 \$76,871. 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 Employee Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 43215-3746.

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

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

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

Funding Policy - 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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008 and 2007 have been fully paid.

**B. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

Funding Policy - For the fiscal year ended June 30, 2008, 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. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008 and 2007, have been fully paid. Contributions to the DC and Combined Plans for fiscal year 2008 were fully paid by the School District and the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**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.

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

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

**7. RISK MANAGEMENT – (Continued)**

OSBA Workers' Compensation Group Rating

For fiscal years 2008 and 2007, 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.

**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, 2008, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>
Balance July 1, 2007	\$ (78,432)	
Required Set-Aside	10,760	\$ 10,760
Offset Credits		(102,798)
Qualifying Expenditures	<u>(48,957)</u>	<u>(243,124)</u>
Balance June 30, 2008	<u>\$ (116,629)</u>	<u>\$ (335,162)</u>
Carried Forward to FY 2009	<u>\$ (116,629)</u>	

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

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

**8. STATUTORY RESERVES – (Continued)**

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

	Textbook Reserve	Capital Acquisition Reserve
Balance July 1, 2006	\$ (68,776)	
Required Set-Aside	10,619	\$ 10,619
Offset Credits		(91,205)
Qualifying Expenditures	(20,275)	(221,162)
Balance June 30, 2007	\$ (78,432)	\$ (301,748)
Carried Forward to FY 2008	\$ (78,432)	

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.

**9. 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.



# 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

Put-in-Bay Local School District  
Ottawa County  
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, 2008 and 2007, and have issued our report thereon dated December 1, 2008, wherein we issued an adverse opinion because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit 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 audit, we considered the District's internal control over financial reporting as a basis for designing our audit 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 December 1, 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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

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 December 1, 2008.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

December 1, 2008



**PUT-IN-BAY 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**

**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**

The District understands this requirement but feels that there are no financial and/or cost benefits to converting to GAAP.

**PUT-IN-BAY 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

**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  
DECEMBER 24, 2008**