



**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, 2004 and 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Put-in-Bay Local School District, Ottawa County, as of June 30, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 30, 2004

**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, 2004**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Local Sources:				
Taxes	\$ 1,410,832	\$ 22,845	\$ 71,765	\$ 1,505,442
Tuition	89,480			89,480
Earnings on Investment	6,450	55		6,505
Miscellaneous Receipts	1,818	1,110	5,304	8,232
State Sources:				
Unrestricted Grants-In-Aid	276,505			276,505
Restricted Grants-In-Aid	108,941	16,518		125,459
Federal Sources:				
Restricted Grants-In-Aid		21,026		21,026
Total Cash Receipts	1,894,026	61,554	77,069	2,032,649
Cash Disbursements				
Instruction:				
Regular	1,005,179	16,662		1,021,841
Special	90,969	48		91,017
Support Services:				
Pupils	104,726	12,357		117,083
Instructional Staff	10,296	6,290		16,586
Board of Education	8,178			8,178
Administration	118,224			118,224
Fiscal	80,786	158		80,944
Operation and Maintenance - Plant	188,492			188,492
Central Services		10,681		10,681
Pupil Transportation	28,361			28,361
Extracurricular Activities:				-
Academic and Subject Oriented	1,073			1,073
Sports Oriented	25,664			25,664
Co-Curricular Activities	1,449			1,449
Non-instructional Services:				
Community Service		29,209		29,209
Building Acquisition and Construction:				
Building Acquisition & Construction	153,742			153,742
Other Facilities Acquisition and Construction			46,258	46,258
Total Cash Disbursements	1,817,139	75,405	46,258	1,938,802
Excess of Cash Receipts Over (Under) Cash Disbursements	76,887	(13,851)	30,811	93,847

(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, 2004
(Continued)**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Other Financing Sources (Uses)				
Transfers-in		7,057		7,057
Pass-Through	(7,865)			(7,865)
Refund of Prior Year's Expenditures	2,571			2,571
Transfers-out	(4,686)	(2,371)		(7,057)
Total Other Financing Sources (Uses)	<u>(9,980)</u>	<u>4,686</u>		<u>(5,294)</u>
Excess of Cash Receipts and Other Sources Over (Under) Cash Disbursements and Other Uses	66,907	(9,165)	30,811	88,553
Fund Cash Balances at Beginning of Fiscal Year	<u>576,047</u>	<u>25,319</u>	<u>117,641</u>	<u>719,007</u>
Fund Cash Balances at End of Fiscal Year	<u>\$ 642,954</u>	<u>\$ 16,154</u>	<u>\$ 148,452</u>	<u>\$ 807,560</u>
Reserve for Encumbrances	<u>\$ 32,221</u>	<u>\$ 4,810</u>		<u>\$ 37,031</u>

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, 2004**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
Operating Cash Receipts			
Earnings on Investments	\$ 1,103		\$ 1,103
Extracurricular Activities		\$ 57,045	57,045
Miscellaneous Receipts	4,252		4,252
Total Operating Cash Receipts	5,355	57,045	62,400
Operating Cash Disbursements			
Supplies and Materials		21,668	21,668
Other Objects	8,368	29,952	38,320
Total Operating Cash Disbursements	8,368	51,620	59,988
Excess of Operating Cash Disbursements Over Operating Cash Receipts	(3,013)	5,425	2,412
Fund Cash Balances at Beginning of Fiscal Year	139,679	25,232	164,911
Fund Cash Balances at End of Fiscal Year	\$ 136,666	\$ 30,657	\$ 167,323
Reserve for Encumbrances			

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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Local Sources:				
Taxes	\$ 1,296,442	\$ 21,239	\$ 37,302	\$ 1,354,983
Tuition	70,886			70,886
Earnings on Investment	11,294	65		11,359
Miscellaneous Receipts	4,750	1,171	19,210	25,131
Intermediate Sources:				
Restricted Grants-In-Aid		4,000		4,000
State Sources:				
Unrestricted Grants-In-Aid	259,374			259,374
Restricted Grants-In-Aid	89,409	17,864	1,361	108,634
Federal Sources:				
Restricted Grants-In-Aid		11,640		11,640
Total Cash Receipts	1,732,155	55,979	57,873	1,846,007
Cash Disbursements				
Instruction:				
Regular	1,000,619	16,491	1,361	1,018,471
Special	94,334	952		95,286
Support Services:				
Pupils	62,676	8,737		71,413
Instructional Staff	1,465	5,560		7,025
Board of Education	5,877			5,877
Administration	116,151			116,151
Fiscal	79,780	371		80,151
Operation and Maintenance - Plant	148,170			148,170
Central Services		4,608		4,608
Pupil Transportation	9,535			9,535
Non-instructional Services:				
Community Service	500	28,225		28,725
Extracurricular Activities:				
Academic and Subject Oriented	966			966
Sports Oriented	18,356			18,356
Co-Curricular Activities	1,336			1,336
Building Acquisition and Construction:				
Site Improvement	9,000			9,000
Building Acquisition and Construction	200,000			200,000
Other Facilities Acquisition and Construction			216,445	216,445
Total Cash Disbursements	1,748,765	64,944	217,806	2,031,515

(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, 2003
(Continued)**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Excess of Cash Disbursements Over Cash Receipts	(16,610)	(8,965)	(159,933)	(185,508)
Other Financing Sources (Uses)				
Transfers-in		11,442		11,442
Refund of Prior Year's Expenditures	2,836			2,836
Transfers-out	(11,442)			(11,442)
Total Other Financing Sources (Uses)	(8,606)	11,442		2,836
Excess of Cash Receipts and Other Sources Over (Under) Cash Disbursements and Other Uses	(25,216)	2,477	(159,933)	(182,672)
Fund Cash Balances at Beginning of Fiscal Year	601,263	22,842	277,574	901,679
Fund Cash Balances at End of Fiscal Year	\$ 576,047	\$ 25,319	\$ 117,641	\$ 719,007
Reserve for Encumbrances	\$ 28,255	\$ 11,710	\$ 150	\$ 40,115

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, 2003**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
Operating Cash Receipts			
Earnings on Investments	\$ 1,881		\$ 1,881
Extracurricular Activities		\$ 27,574	27,574
Miscellaneous Receipts	2,713		2,713
Total Operating Cash Receipts	4,594	27,574	32,168
Operating Cash Disbursements			
Supplies and Materials		10,305	10,305
Permanent Improvements		1,059,173	1,059,173
Other Objects	9,965	18,967	28,932
Total Operating Cash Disbursements	9,965	1,088,445	1,098,410
Excess of Operating Cash Disbursements Over Operating Cash Receipts	(5,371)	(1,060,871)	(1,066,242)
Non-Operating Cash Receipts			
Lease-Purchase Proceeds		1,059,173	1,059,173
Total Non-operating Cash Receipts		1,059,173	1,059,173
Excess of Receipts Over Disbursements	(5,371)	(1,698)	(7,069)
Fund Cash Balances at Beginning of Fiscal Year	145,050	26,930	171,980
Fund Cash Balances at End of Fiscal Year	\$ 139,679	\$ 25,232	\$ 164,911
Reserve for Encumbrances			

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, 2004 AND 2003**

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 grades 1 through 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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)

the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

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, Jay Valasek, Treasurer of Vanguard-Sentinel Career Center, at 1306 Cedar Street, Fremont, Ohio 43420.

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 and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports 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 include adequate disclosures of material matters in accordance with the basis of accounting described in the preceding paragraph.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)

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 fund:

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.

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.

Fifth-Third Bank Lease/Purchase Fund - This fund is used to account for non-operating finances associated with the school building improvements in accordance with the lease/purchase agreement. This fund is classified as an agency fund.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)

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.

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 reappropriated.

A summary of 2004 and 2003 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.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)

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:

	2004	2003
Bank Deposits:		
Demand deposits	\$ 67,796	\$ 148,409
Savings accounts	907,087	735,509
Total Bank Deposits	\$ 974,883	\$ 883,918

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,783,579	\$ 1,896,597	\$ 113,018
Special Revenue	68,611	68,611	
Capital Projects	77,069	77,069	
Fiduciary	62,400	62,400	
Total	\$ 1,991,659	\$ 2,104,677	\$ 113,018

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,884,250	\$ 1,861,911	\$ 22,339
Special Revenue	79,065	82,586	(3,521)
Capital Projects	96,258	46,258	50,000
Fiduciary	46,965	59,988	(13,023)
Total	\$ 2,106,538	\$ 2,050,743	\$ 55,795

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,627,754	\$ 1,734,991	\$ 107,237
Special Revenue	67,421	67,421	
Capital Projects	57,873	57,873	
Fiduciary	4,595	32,168	27,573
Total	<u>\$ 1,757,643</u>	<u>\$ 1,892,453</u>	<u>\$ 134,810</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,809,201	\$ 1,788,462	\$ 20,739
Special Revenue	59,941	76,654	(16,713)
Capital Projects	351,361	217,956	133,405
Fiduciary	39,725	39,237	488
Total	<u>\$ 2,260,228</u>	<u>\$ 2,122,309</u>	<u>\$ 137,919</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the April 1 date for which rates are adopted by the 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)**

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 of Ohio (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. The 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.

Contribution rates are prescribed by the Ohio Revised Code. For fiscal years 2004 and 2003 plan members contributed 9 percent of their annual covered salary. The District contributed an amount equal to 14 percent of annual covered payroll.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)**

System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution rates are prescribed by the Ohio Revised Code. For fiscal years 2004 and 2003 plan members contributed 9.3 percent of their annual covered salary. The District contributed an amount equal to 14 percent of annual covered payroll.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2004 and 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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; and

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, whose purpose is to provide health coverage and benefits to and for the eligible employees of 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, 2004 AND 2003
(Continued)

OSBA Workers' Compensation Group Rating

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. 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 GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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, 2004, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve
Balance July 01, 2003	\$ (42,085)	
Required Set-Aside	12,768	\$ 12,768
Offset Credits		(69,305)
Qualifying Expenditures	(15,663)	(203,107)
Balance June 30, 2004	<u>\$ (44,980)</u>	<u>\$ (259,644)</u>
Carried Forward to FY 2005	<u>\$ (44,980)</u>	

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003
(Continued)

During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve
Balance July 01, 2002	\$ (37,034)	
Required Set-Aside	12,348	\$ 12,348
Reduction of Budget Stabilization Set-Aside in accordance with S.B. 345		
Offset Credits		(34,798)
Qualifying Expenditures	(17,399)	(241,390)
Balance June 30, 2003	\$ (42,085)	\$ (263,840)
Carried Forward to FY 2004	\$ (42,085)	

Although the District had offsets and qualifying disbursements during the fiscal years that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. However, the negative for the textbook reserve is allowed to be carried forward and used to reduce the set-aside requirement for future years.

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 COMPLIANCE AND ON INTERNAL
CONTROL 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 accompanying financial statements of the Put-in-Bay Local School District, Ottawa County, (the District) as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated September 30, 2004, in which we noted that the District has prepared its annual financial report on a basis of accounting other than that prescribed by Ohio Administrative Code § 117-2-03 (B). 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such 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 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated September 30, 2004.

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 for the purpose of expressing our

opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated September 30, 2004.

This report is intended for the information and use of the audit committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 30, 2004

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

SCHEDULE OF FINDINGS
JUNE 30, 2004 AND 2003

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

FINDING NUMBER 2004-001

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. 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, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2002-10162-001	Ohio Administrative Code § 117-2-03 (B) Failure to file GAAP report.	No	Not corrected. Reissued as finding number 2004-001.



**Auditor of State
Betty Montgomery**

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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 4, 2004**