



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009 AND 2010



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

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, 2010 and 2009. 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, 2010 and 2009 in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010, 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

October 18, 2010

**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, 2010**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Local Sources:				
Taxes	\$2,108,128	\$ 34,419	\$ 105,419	\$ 2,247,966
Tuition	166,563			166,563
Earnings on Investment	4,833	97	377	5,307
Extracurricular		3,780		3,780
Miscellaneous Receipts	202	1,651	28,003	29,856
Intergovernmental - state	234,886	11,091	10,316	256,293
Intergovernmental - federal		51,418		51,418
Total Cash Receipts	2,514,612	102,456	144,115	2,761,183
Cash Disbursements				
Instruction:				
Regular	1,344,566	13,321		1,357,887
Special	101,624	20,385		122,009
Support Services:				
Pupils	110,881			110,881
Instructional Staff	6,447	2,032		8,479
Board of Education	10,930			10,930
Administration	191,115			191,115
Fiscal	129,303	1,206	1,856	132,365
Operation and Maintenance - Plant	202,123	1,442		203,565
Central Services		8,869		8,869
Pupil Transportation	14,910	18,582		33,492
Non-instructional Services:				
Community Service	(3,000)	38,588		35,588
Extracurricular Activities	60,331	4,065		64,396
Building Acquisition and Construction:				
Building Acquisition and Construction	153,742			153,742
Other Facilities Acquisition and Construction			435,196	435,196
Total Cash Disbursements	2,322,972	108,490	437,052	2,868,514
Excess of Cash Receipts Over/(Under) Cash Disbursements	191,640	(6,034)	(292,937)	(107,331)

(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, 2010
(Continued)**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Other Financing Sources (Uses)				
Refund of Prior Year's Expenditures	1,365			1,365
Transfers-in		30,000		30,000
Transfers-out	(30,000)			(30,000)
Total Other Financing Sources (Uses)	(28,635)	30,000		1,365
Excess of Cash Receipts and Other Sources Over/ (Under) Cash Disbursements and Other Uses	163,005	23,966	(292,937)	(105,966)
Fund Cash Balances at Beginning of Fiscal Year	1,275,951	31,154	416,327	1,723,432
Fund Cash Balances at End of Fiscal Year	\$1,438,956	\$ 55,120	\$ 123,390	\$ 1,617,466
Reserve for Encumbrances	\$ 16,777	\$ 1,101	\$ 360	\$ 18,238

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, 2010**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Private Purpose Trust	Agency	
Operating Cash Receipts			
Extracurricular Activities		\$ 40,277	\$ 40,277
Operating Cash Disbursements			
Supplies and Materials		11,150	11,150
Other Objects	\$ 10,125	28,254	38,379
Total Operating Cash Disbursements	10,125	39,404	49,529
Excess of Operating Cash Receipts Over/ (Under) Operating Cash Disbursements	(10,125)	873	(9,252)
Non-Operating Cash Receipts			
Earnings on Investment	312		312
Miscellaneous	7,376		7,376
Total Non-operating Cash Receipts	7,688		7,688
Net Receipts Over/(Under) Disbursements	(2,437)	873	(1,564)
Fund Cash Balances at Beginning of Fiscal Year	144,607	21,370	165,977
Fund Cash Balances at End of Fiscal Year	\$ 142,170	\$ 22,243	\$ 164,413

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, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Local Sources:				
Taxes	\$1,992,907	\$ 33,794	\$ 103,234	\$ 2,129,935
Tuition	201,721			201,721
Earnings on Investment	10,332	44	2,359	12,735
Extracurricular		2,380		2,380
Miscellaneous Receipts	956	4,090	4,604	9,650
Intergovernmental - intermediate		2,717		2,717
Intergovernmental - state	223,156	13,920	5,274	242,350
Intergovernmental - federal		20,857		20,857
Total Cash Receipts	2,429,072	77,802	115,471	2,622,345
Cash Disbursements				
Instruction:				
Regular	1,313,529	17,101	640	1,331,270
Special	106,308	346		106,654
Support Services:				
Pupils	117,929	194		118,123
Instructional Staff	5,074	6,078		11,152
Board of Education	12,787			12,787
Administration	193,414			193,414
Fiscal	135,657	778	971	137,406
Operation and Maintenance - Plant	200,199	2,720		202,919
Central Services		9,000		9,000
Pupil Transportation	35,374			35,374
Non-instructional Services:				
Community Service	1,000	35,085		36,085
Extracurricular Activities	61,421	1,465		62,886
Building Acquisition and Construction:				
Building Acquisition and Construction	200,000			200,000
Other Facilities Acquisition and Construction			446,344	446,344
Total Cash Disbursements	2,382,692	72,767	447,955	2,903,414
Excess of Cash Receipts Over/(Under) Cash Disbursements	46,380	5,035	(332,484)	(281,069)

(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, 2009
(Continued)**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Other Financing Sources (Uses)				
Sale of Fixed Assets			11,768	11,768
Transfers-in			270	270
Transfers-out		(270)		(270)
Total Other Financing Sources (Uses)		(270)	12,038	11,768
Excess of Cash Receipts and Other Sources Over/ (Under) Cash Disbursements and Other Uses	46,380	4,765	(320,446)	(269,301)
Fund Cash Balances at Beginning of Fiscal Year	<u>1,229,571</u>	<u>26,389</u>	<u>736,773</u>	<u>1,992,733</u>
Fund Cash Balances at End of Fiscal Year	<u>\$1,275,951</u>	<u>\$ 31,154</u>	<u>\$ 416,327</u>	<u>\$ 1,723,432</u>
Reserve for Encumbrances	<u>\$ 25,520</u>	<u>\$ 20,187</u>	<u>\$ 307,014</u>	<u>\$ 352,721</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, 2009**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Private Purpose Trust	Agency	
Operating Cash Receipts			
Extracurricular Activities		\$ 47,280	\$ 47,280
Operating Cash Disbursements			
Supplies and Materials		26,243	26,243
Other Objects	\$ 11,682	27,010	38,692
 Total Operating Cash Disbursements	<u>11,682</u>	<u>53,253</u>	<u>64,935</u>
 Excess of Operating Cash Receipts Under Operating Cash Disbursements	(11,682)	(5,973)	(17,655)
Non-Operating Cash Receipts			
Earnings on Investment	908		908
Miscellaneous	6,023		6,023
 Total Non-operating Cash Receipts	<u>6,931</u>	<u></u>	<u>6,931</u>
 Net Receipts Under Disbursements	(4,751)	(5,973)	(10,724)
 Fund Cash Balances at Beginning of Fiscal Year	<u>149,358</u>	<u>27,343</u>	<u>176,701</u>
 Fund Cash Balances at End of Fiscal Year	<u>\$ 144,607</u>	<u>\$ 21,370</u>	<u>\$ 165,977</u>

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, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Put-in-Bay Local School District (the "District") is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggering four-year terms.

The District operates one instructional facility and provides educational services to students from kindergarten through grade 12 as authorized by state and/or federal guidelines.

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. The amount the District paid in fiscal years 2010 and 2009 was \$20,085 and \$20,773, respectively. 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 Section 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, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

San-Ott School Employees Welfare Benefit Association

The District participates in a shared risk pool, with participants 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 consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott School Employees Welfare Benefit Association, Shane E. Baumgardner, Treasurer of Danbury Local School District, 9451 E. Harbor Road, Lakeside, Ohio 43440.

D. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, 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 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).

As a result of the use of this basis of accounting, certain assets and their related revenues (such accounts receivable), certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities), and certain note disclosures are not recorded in these financial statements.

E. Fund Accounting

The District uses fund accounting to segregate cash that is 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 Funds

These funds are used to account for proceeds from specific sources (other than from private purpose 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, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

IDEA, Part B Fund – This fund is used to account for federal monies which assist states in providing an appropriate public education to all children with disabilities.

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 receives property tax money to account for all transactions related to the acquiring, constructing, or improving permanent improvements.

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.

The District's private purpose trust fund is used to account for money which has been set aside as an investment for scholarship programs for students. The investment income from the fund may be expended, but the principal must remain intact.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The District disburses these funds as directed by the individual, organization or other government. The District's agency 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.

F. Budgetary Process

The Ohio Revised Code requires each fund (except certain agency funds) 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, 2010 AND 2009
(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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

G. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

The District maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at June 30 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 34,567	\$ 83,775
Savings accounts	<u>1,747,312</u>	<u>1,805,634</u>
Total Deposits	<u>\$ 1,781,879</u>	<u>\$ 1,889,409</u>

Deposits are 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, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,383,386	\$ 2,515,977	\$ 132,591
Special Revenue	155,978	132,456	(23,522)
Capital Projects	111,800	144,115	32,315
Fiduciary	5,350	7,688	2,338
Total	<u>\$ 2,656,514</u>	<u>\$ 2,800,236</u>	<u>\$ 143,722</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,597,305	\$ 2,369,749	\$ 227,556
Special Revenue	127,622	109,591	18,031
Capital Projects	437,632	437,412	220
Fiduciary	14,500	10,125	4,375
Total	<u>\$ 3,177,059</u>	<u>\$ 2,926,877</u>	<u>\$ 250,182</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,430,221	\$ 2,429,072	\$ (1,149)
Special Revenue	77,419	77,802	383
Capital Projects	126,743	127,509	766
Fiduciary	6,931	6,931	
Total	<u>\$ 2,641,314</u>	<u>\$ 2,641,314</u>	<u>\$ -</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,602,665	\$ 2,408,212	\$ 194,453
Special Revenue	95,182	93,224	1,958
Capital Projects	757,895	754,969	2,926
Fiduciary	15,466	11,682	3,784
Total	<u>\$ 3,471,208</u>	<u>\$ 3,268,087</u>	<u>\$ 203,121</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 Township.

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 District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

6. RETIREMENT SYSTEMS – (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of an actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2010 and 2009 were \$26,985 and \$27,947, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System of Ohio

Plan Description - The 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.

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, 2010 AND 2009
(Continued)**

6. RETIREMENT SYSTEMS – (Continued)

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010 and 2009 were \$172,211 and \$175,955, respectively; 100 percent has been contributed for fiscal years 2010 and 2009.

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, 2010, 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") (See Note 1.C), 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 \$200,000 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, 2010 AND 2009
(Continued)**

7. RISK MANAGEMENT – (Continued)

OSBA Workers' Compensation Group Rating

For fiscal years 2010 and 2009, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (See 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 percentage 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 statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition Reserve
Set Aside Reserve Balance July 1, 2009	\$ (146,169)	
Current Year Set Aside Requirement	12,725	\$ 12,725
Current Year Qualifying Expenditures	(29,349)	(24,637)
Current Year Offsets		(105,422)
	\$ (162,793)	\$ (117,334)
Total	\$ (162,793)	\$ (117,334)
Balance Carried Forward to Fiscal Year 2011	\$ (162,793)	

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

8. STATUTORY RESERVES – (Continued)

During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition Reserve
Set Aside Reserve Balance July 1, 2008	\$ (116,629)	
Current Year Set Aside Requirement	11,019	\$ 11,019
Current Year Qualifying Expenditures	(40,559)	(34,769)
Current Year Offsets		(99,400)
	\$ (146,169)	\$ (123,150)
Total	\$ (146,169)	\$ (123,150)
Balance Carried Forward to Fiscal Year 2010	\$ (146,169)	

Although the District had offsets and qualifying disbursements during the fiscal years 2010 and 2009 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. The negative amount is therefore not presented as being carried forward to the next fiscal year. The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



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, 2010 and 2009 and have issued our report thereon dated October 18, 2010, wherein we issued an adverse opinion on the District's financial statements 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. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 18, 2010.

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 management, the audit committee, the Board of Education and others within the District. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 18, 2010

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

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(B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires school districts to file annual financial reports prepared using generally accepted accounting principles (GAAP).

For 2010 and 2009, the District's prepared financial statements and notes that report 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 its 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 generally accepted accounting principles.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Revised Code § 117.38 reporting on a basis other than generally accepted accounting principles.	No	Not corrected. Reissued as finding number 2010-001 in this report.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Put-in-Bay Local School District
Ottawa County
P.O. Box 659
Put-in-Bay, Ohio 43456-0659

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Put-in-Bay Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on April 16, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

Put-in-Bay Local School District
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Independent Accountants' Report on Applying
Agreed-Upon Procedures

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

October 18, 2010



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
NOVEMBER 4, 2010**