



Dave Yost • Auditor of State

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Port Clinton City School District
Ottawa County
431 Portage Drive
Port Clinton, Ohio 43452

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Clinton City School District, Ottawa County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Port Clinton City School District, Ottawa County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, for the year ended June 30, 2011, the District ceased reporting using generally accepted accounting principles and reported on the cash basis. As also described in Note 3, the District implemented Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's discussion and analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The schedule of federal awards receipts and expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's discussion and analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

March 16, 2012

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The management's discussion and analysis of the Port Clinton City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities decreased \$2,027,757 which represents a 3.77% decrease from 2010.
- General receipts accounted for \$23,965,171 in receipts or 89.41% of all receipts. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$2,839,653 or 10.59% of total receipts of \$26,804,824.
- The District had \$28,832,581 in disbursements related to governmental activities; only \$2,839,653 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$23,965,171 were not adequate to provide for these programs.
- The District's major governmental funds were the general fund, the bond retirement fund and the building fund. The general fund had \$20,795,983 in receipts and other financing sources and \$19,331,096 in disbursements and other financing uses. During fiscal 2011, the general fund's fund balance increased \$1,464,887 from a restated balance of \$9,506,945 to a balance of \$10,971,832.
- The bond retirement fund had \$2,926,041 in receipts and other financing sources and \$2,599,980 in disbursements. During fiscal 2011, the bond retirement fund's fund balance increased \$326,061 from a restated balance of \$1,893,965 to a balance of \$2,220,026.
- The building fund had \$233,984 in receipts and \$4,276,515 in disbursements. During fiscal 2011, the building fund's fund balance decreased \$4,042,531 from a restated balance of \$41,355,565 to a balance of \$37,313,034.

Using the Basic Financial Report (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net assets - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general, bond retirement and building funds are the most significant funds and the only governmental funds reported as major funds.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Basis of Accounting

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net assets will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis

The statement of net assets - cash basis and statement of activities - cash basis reflect how the District did financially during fiscal year 2011, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental type activities of the District at the fiscal year end. The statement of activities compares cash disbursements with program receipts of each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's net cash position and the changes in cash position. Keeping in mind the limitations of the cash basis accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position in one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets - cash basis and statement of activities - cash basis, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund and the building fund.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in a single column.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets - cash basis and changes in fiduciary net assets - cash basis. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2011 and 2010. The amounts for 2010 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2011 financial statements, as described in Note 3.

	Net Assets - Cash Basis	
	Governmental Activities	
	2011	2010
<u>Assets</u>		
Current and other assets	\$ 51,811,405	\$ 53,839,162
 Total assets	 51,811,405	 53,839,162
 <u>Net Assets</u>		
Restricted	40,846,695	44,353,796
Unrestricted	10,964,710	9,485,366
 Total net assets	 \$ 51,811,405	 \$ 53,839,162

The total net assets of the District decreased \$2,027,757, which represents a 3.77% decrease from fiscal year 2010.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The balance of government-wide unrestricted net assets of \$10,964,710 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2011 and 2010. The amounts for 2010 have been restated to conform to the cash basis of accounting which is the basis upon which the District has presented the 2011 financial statements.

	Change in Net Assets - Cash Basis Governmental Activities	
	2011	2010
Receipts:		
Program receipts:		
Charges for services and sales	\$ 917,182	\$ 899,745
Operating grants and contributions	1,922,471	1,979,531
Total program receipts	2,839,653	2,879,276
General receipts:		
Property and other taxes	15,921,887	14,602,904
Grants and entitlements not restricted to specific programs	7,425,243	6,627,065
Investment earnings	427,705	233,198
Other	190,336	6,463
Bond proceeds		41,999,900
Total general receipts	23,965,171	63,469,530
Total receipts	\$ 26,804,824	\$ 66,348,806

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

**Change in Net Assets - Cash Basis
Governmental Activities - (Continued)**

	2011	2010
Disbursements:		
Instruction:		
Regular	\$ 8,806,081	\$ 9,022,340
Special	2,519,061	2,120,125
Vocational	228,600	164,378
Other	802,559	872,589
Support services:		
Pupil	2,037,111	1,995,986
Instructional staff	364,771	444,585
Board of education	20,898	18,117
Administration	1,339,988	1,371,730
Fiscal	712,003	693,991
Operations and maintenance	2,485,985	2,236,603
Pupil transportation	965,835	1,270,175
Central	177,475	148,894
Food service operations	662,572	680,424
Other non instructional services	192,583	133,104
Extracurricular activities	582,182	612,133
Facilities acquisition and construction	4,378,265	1,012,280
Debt service:		
Principal retirement	694,000	679,000
Interest and fiscal charges	1,862,612	402,706
Total disbursements	28,832,581	23,879,160
Change in net assets	(2,027,757)	42,469,646
Net assets at beginning of year (restated)	53,839,162	11,369,516
Net assets at end of year	\$ 51,811,405	\$ 53,839,162

Governmental Activities

Net assets of the District's governmental activities decreased \$2,027,757. Total governmental disbursements of \$28,832,581 were offset by program receipts of \$2,839,653 and general receipts of \$23,965,171. Program receipts supported 9.85% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, and grants and entitlements. These receipts sources represent 87.10% of total governmental receipts. Real estate property is reappraised every six years. General receipts were significantly higher in fiscal 2010 due to the \$41,999,900 bond issuance for the construction and renovation of school buildings.

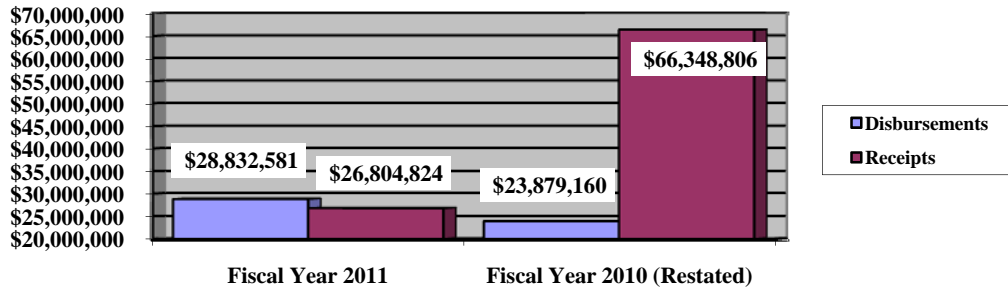
The largest disbursement of the District is for instructional programs. Instruction disbursements totaled \$12,356,301 or 42.86% of total governmental disbursements for fiscal 2011. Facilities acquisitions and construction increased in fiscal 2011 as more disbursements were made for the construction project.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities revenue and disbursements for fiscal years 2011 and 2010.

Governmental Activities - Total Receipts vs. Total Disbursements



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Governmental Activities – Cash Basis

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	(Restated) Total Cost of Services	(Restated) Net Cost of Services
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
Disbursements:				
Instruction:				
Regular	\$ 8,806,081	\$ 8,065,842	\$ 9,022,340	\$ 8,382,531
Special	2,519,061	1,933,613	2,120,125	1,579,601
Vocational	228,600	228,600	164,378	164,378
Other	802,559	802,559	872,589	872,236
Support services:				
Pupil	2,037,111	1,750,673	1,995,986	1,702,606
Instructional staff	364,771	364,108	444,585	443,766
Board of education	20,898	20,898	18,117	18,117
Administration	1,339,988	1,296,359	1,371,730	1,301,051
Fiscal	712,003	712,003	693,991	693,991
Operations and maintenance	2,485,985	2,467,480	2,236,603	2,224,740
Pupil transportation	965,835	908,914	1,270,175	1,029,389
Central	177,475	80,556	148,894	82,448
Food service operations	662,572	(6,831)	680,424	(14,774)
Other non instructional services	192,583	49,186	133,104	21,818
Extracurricular activities	582,182	384,091	612,133	404,000
Facilities acquisition and construction	4,378,265	4,378,265	1,012,280	1,012,280
Debt service:				
Principal retirement	694,000	694,000	679,000	679,000
Interest and fiscal charges	1,862,612	1,862,612	402,706	402,706
Total	<u><u>\$ 28,832,581</u></u>	<u><u>\$ 25,992,928</u></u>	<u><u>\$ 23,879,160</u></u>	<u><u>\$ 20,999,884</u></u>

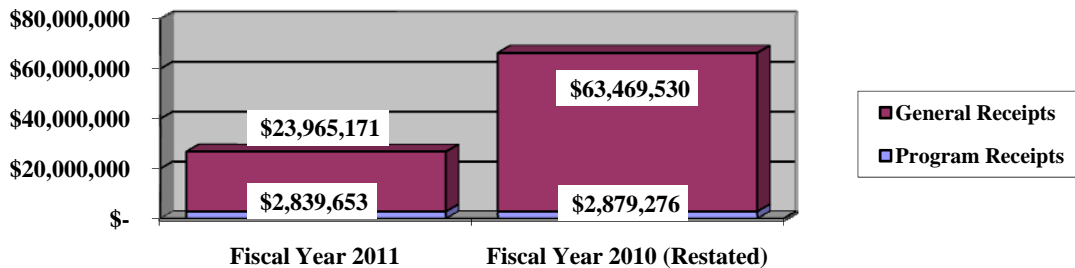
The dependence upon tax and other general receipts for governmental activities is apparent, 89.27% of instruction activities are supported through taxes and other general receipts. For all governmental activities, general receipts support is 90.15%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Receipts



The District's Funds

The June 30, 2010 fund balance of the general fund and other governmental funds were restated for fund reclassifications required for the implementation of GASB Statement No. 54 as described in Note 3. The District's governmental funds reported a combined fund balance of \$51,811,405, which is less than last year's restated total of \$53,839,162. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	(Restated) Fund Balance June 30, 2010	Increase (Decrease)
General	\$ 10,971,832	\$ 9,506,945	\$ 1,464,887
Bond retirement	2,220,026	1,893,965	326,061
Building	37,313,034	41,355,565	(4,042,531)
Other governmental	1,306,513	1,082,687	223,826
Total	\$ 51,811,405	\$ 53,839,162	\$ (2,027,757)

General Fund

The general fund, had receipts and other financing sources of \$20,795,983 in 2011. The disbursements and other financing uses of the general fund, totaled \$19,331,096 in 2011. The general fund's balance increased \$1,464,887 from 2010 to 2011. This increase in fund balance can be attributed to revenues exceeding expenditures during the year.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 Amount	(Restated) 2010 Amount	Percentage Change
<u>Receipts</u>			
Taxes	\$ 13,342,252	\$ 12,957,428	2.97 %
Tuition	365,771	310,050	17.97 %
Earnings on investments	193,721	194,673	(0.49) %
Intergovernmental	6,618,863	6,491,683	1.96 %
Other revenues	174,513	184,919	(5.63) %
Total	<u>\$ 20,695,120</u>	<u>\$ 20,138,753</u>	2.76 %
<u>Disbursements</u>			
Instruction	\$ 11,425,584	\$ 11,394,023	0.28 %
Support services	7,165,663	7,330,464	(2.25) %
Operation of non-instructional services	46,282	26,657	73.62 %
Extracurricular activities	402,327	398,415	0.98 %
Facilities acquisition and construction	57,406	25,576	124.45 %
Total	<u>\$ 19,097,262</u>	<u>\$ 19,175,135</u>	(0.41) %

The 17.97% increase in tuition was a result of open enrollment throughout the District increasing during the year. All other receipts remained comparable to prior years.

The 73.62% increase of operations of non-instructional services is a result of the new cops in school program throughout the District. Facilities acquisition and construction increased 124.45% due to construction disbursements being paid out of the general fund. All other disbursements remained comparable to prior years.

Bond Retirement Fund

The bond retirement fund had \$2,926,041 in receipts and other financing sources and \$2,599,980 in disbursements. During fiscal 2011, the bond retirement fund's fund balance increased \$326,061 from a restated balance of \$1,893,965 to a balance of \$2,220,026. This increase in fund balance can be attributed to revenues exceeding expenditures during the year.

Building Fund

The building fund had \$233,984 in receipts and \$4,276,515 in disbursements. During fiscal 2011, the building fund's fund balance decreased \$4,042,531 from a restated balance of \$41,355,565 to a balance of \$37,313,034. This decrease in the fund balance can be attributed to construction projects of new school buildings.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budgeted receipts and other financing sources were \$20,627,077, which was \$488,508 greater than the original budget receipts and other financing sources of \$20,138,569. Actual receipts and other financing sources for fiscal 2011 was \$20,605,985. This represents a \$21,092 decrease over final budgeted receipts.

General fund original appropriations (appropriated disbursements plus other financing uses) of \$19,553,744 were \$100,000 less than final appropriations and other financing sources of \$19,653,744. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$19,354,208, which was \$299,536 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$4,378,265 during fiscal year 2011.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2011 and 2010

Outstanding Debt, at Year End

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
General obligation bonds	\$ 42,169,777	\$ 42,763,237
Energy conservation notes	<u>577,400</u>	<u>671,400</u>
Total	<u>\$ 42,747,177</u>	<u>\$ 43,434,637</u>

See Note 7 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District is strong financially. As the preceding information shows, the District heavily depends on its property taxpayers. With the passage of a 3.89-mill operating levy and collection beginning in January 2004, the District has been able to continue its education programs. The operating levy was renewed in March 2009 for a five year period. However, financially the future is not without challenges.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Declining State foundation payments due to charge-offs by the State provide no significant increase in future receipts. Increases in property tax receipts that do occur are offset by decreases in State foundation payments. The most recent state budget for fiscal years 2012 and 2013 will reduce funding by over 1 million dollars. This was done by reducing the tangible personal property tax reimbursement and the electric deregulation reimbursement. While revenue is going down, so have disbursements. A concerted effort has been underway to reduce staff and other disbursements to deal with the declining revenue. In fact, the total cost to operate our District was lower in fiscal year 2011 than in fiscal year 2009.

The District had an operating cash increase of over 1.4 million dollars in fiscal year 2011. This has added to our cash reserve balance which is now over 9 million dollars. Management must diligently plan expenditures, staying carefully within the District's five-year forecast.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Jeff Dornbusch, Treasurer, Port Clinton City School District, 431 Portage Drive, Port Clinton, Ohio 43452.

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**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 51,811,405
Total assets.	51,811,405
Net Cash Assets:	
Restricted for:	
Capital projects	38,367,744
Debt service.	2,220,026
Locally funded programs	7,214
State funded programs.	89,235
Federally funded programs	17,940
Student activities	53,036
Other purposes	91,500
Unrestricted	10,964,710
Total net cash assets.	\$ 51,811,405

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Cash Disbursements	Program Cash Receipts		Net Assets (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 8,806,081	\$ 407,265	\$ 332,974	\$ (8,065,842)
Special	2,519,061	10,359	575,089	(1,933,613)
Vocational	228,600			(228,600)
Other	802,559			(802,559)
Support services:				
Pupil	2,037,111		286,438	(1,750,673)
Instructional staff	364,771		663	(364,108)
Board of education	20,898			(20,898)
Administration	1,339,988		43,629	(1,296,359)
Fiscal	712,003			(712,003)
Operations and maintenance	2,485,985	12,841	5,664	(2,467,480)
Pupil transportation	965,835		56,921	(908,914)
Central	177,475		96,919	(80,556)
Operation of non-instructional services:				
Other non-instructional services	192,583		143,397	(49,186)
Food service operations	662,572	317,161	352,242	6,831
Extracurricular activities	582,182	169,556	28,535	(384,091)
Facilities acquisition and construction	4,378,265			(4,378,265)
Debt service:				
Principal retirement	694,000			(694,000)
Interest and fiscal charges	1,862,612			(1,862,612)
Totals	\$ 28,832,581	\$ 917,182	\$ 1,922,471	(25,992,928)

General receipts:

Property taxes levied for:	
General purposes	13,342,252
Debt service	2,022,967
Capital outlay	556,668
Grants and entitlements not restricted to specific programs	7,425,243
Investment earnings	427,705
Miscellaneous	190,336
	190,336
Total general revenues	23,965,171
Change in net assets	(2,027,757)
Net cash assets at beginning of year (restated)	53,839,162
Net cash assets at end of year	\$ 51,811,405

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 10,971,832	\$ 2,220,026	\$ 37,313,034	\$ 1,306,513	\$ 51,811,405
Total assets	<u>\$ 10,971,832</u>	<u>\$ 2,220,026</u>	<u>\$ 37,313,034</u>	<u>\$ 1,306,513</u>	<u>\$ 51,811,405</u>
Fund Balances:					
Restricted:					
Debt service		\$ 2,220,026			\$ 2,220,026
Capital improvements			\$ 37,313,034	\$ 1,054,710	38,367,744
Food service operations				91,500	91,500
Non-public schools				24,803	24,803
Public school preschool				9,410	9,410
Targeted academic assistance				17,901	17,901
Other purposes.				62,275	62,275
Extracurricular.				53,036	53,036
Committed:					
Termination benefits.	\$ 936,574				936,574
Assigned:					
Student instruction	78,486				78,486
Student and staff support.	164,708				164,708
Facilities acquisition and construction	2,450				2,450
Public school support	44,784				44,784
Uniform school supplies	12,812				12,812
Other purposes.	54,270				54,270
Unassigned (deficit)	9,677,748			(7,122)	9,670,626
Total fund balances	<u>\$ 10,971,832</u>	<u>\$ 2,220,026</u>	<u>\$ 37,313,034</u>	<u>\$ 1,306,513</u>	<u>\$ 51,811,405</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
From local sources:					
Property taxes	\$ 13,342,252	\$ 2,022,967		\$ 556,668	\$ 15,921,887
Tuition	365,771				365,771
Earnings on investments	193,721		\$ 233,984		427,705
Charges for services				317,161	317,161
Extracurricular	15,808			153,748	169,556
Classroom materials and fees	51,853				51,853
Rental income	12,841				12,841
Contributions and donations	11,405			83,584	94,989
Other local revenues	82,606			41,661	124,267
Intergovernmental - intermediate				26,804	26,804
Intergovernmental - state	6,540,777	243,215		283,853	7,067,845
Intergovernmental - federal	78,086	536,888		1,609,171	2,224,145
Total receipts	<u>20,695,120</u>	<u>2,803,070</u>	<u>233,984</u>	<u>3,072,650</u>	<u>26,804,824</u>
Disbursements:					
Current:					
Instruction:					
Regular	8,472,853			333,228	8,806,081
Special	1,921,572			597,489	2,519,061
Vocational	228,600				228,600
Other	802,559				802,559
Support services:					
Pupil	1,746,427			290,684	2,037,111
Instructional staff	364,162			609	364,771
Board of education	20,898				20,898
Administration	1,293,357			46,631	1,339,988
Fiscal	658,339	43,368		10,296	712,003
Operations and maintenance	2,039,762			446,223	2,485,985
Pupil transportation	938,648			27,187	965,835
Central	104,070			73,405	177,475
Operation of non-instructional services:					
Operation of non-instructional	46,282			146,301	192,583
Food service operations	-			662,572	662,572
Extracurricular activities	402,327			179,855	582,182
Facilities acquisition and construction	57,406		4,276,515	44,344	4,378,265
Debt service:					
Principal retirement		694,000			694,000
Interest and fiscal charges		1,862,612			1,862,612
Total disbursements	<u>19,097,262</u>	<u>2,599,980</u>	<u>4,276,515</u>	<u>2,858,824</u>	<u>28,832,581</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,597,858</u>	<u>203,090</u>	<u>(4,042,531)</u>	<u>213,826</u>	<u>(2,027,757)</u>
Other financing sources (uses):					
Transfers in	25,000	122,971		85,863	233,834
Transfers (out)	(233,834)				(233,834)
Advances in	75,863				75,863
Advances (out)				(75,863)	(75,863)
Total other financing sources (uses)	<u>(132,971)</u>	<u>122,971</u>		<u>10,000</u>	
Net change in fund balances	1,464,887	326,061	(4,042,531)	223,826	(2,027,757)
Fund balances at beginning of year (restated).	<u>9,506,945</u>	<u>1,893,965</u>	<u>41,355,565</u>	<u>1,082,687</u>	<u>53,839,162</u>
Fund balances at end of year.	<u>\$ 10,971,832</u>	<u>\$ 2,220,026</u>	<u>\$ 37,313,034</u>	<u>\$ 1,306,513</u>	<u>\$ 51,811,405</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts:				
From local sources:				
Property taxes	\$ 13,051,697	\$ 13,369,482	\$ 13,342,252	\$ (27,230)
Tuition	357,789	366,500	365,771	(729)
Earnings on investments	190,365	195,000	193,721	(1,279)
Classroom materials and fees	361	370	638	268
Rental income	5,857	6,000	5,840	(160)
Other local revenues	2,929	3,000	2,909	(91)
Intergovernmental - state	6,381,229	6,536,600	6,540,777	4,177
Intergovernmental - federal	73,217	75,000	78,086	3,086
Total receipts	<u>20,063,444</u>	<u>20,551,952</u>	<u>20,529,994</u>	<u>(21,958)</u>
Disbursements:				
Current:				
Instruction:				
Regular	8,570,052	8,615,066	8,189,907	425,159
Special	1,578,509	1,586,800	1,921,572	(334,772)
Vocational	161,651	162,500	238,600	(76,100)
Other	723,122	726,920	802,559	(75,639)
Support services:				
Pupil	1,704,746	1,713,700	1,733,221	(19,521)
Instructional staff	454,122	456,507	369,599	86,908
Board of education	17,956	18,050	20,898	(2,848)
Administration	1,346,781	1,353,855	1,299,139	54,716
Fiscal	632,574	635,897	662,716	(26,819)
Operations and maintenance	2,219,688	2,231,347	2,139,898	91,449
Pupil transportation	993,501	998,719	953,803	44,916
Central	101,244	101,776	106,121	(4,345)
Operation of non-instructional services	55,683	55,975	44,839	11,136
Extracurricular activities	384,282	386,300	377,646	8,654
Facilities acquisition and construction	94,833	95,332	59,856	35,476
Total disbursements	<u>19,038,744</u>	<u>19,138,744</u>	<u>18,920,374</u>	<u>218,370</u>
Excess of revenues over expenditures	<u>1,024,700</u>	<u>1,413,208</u>	<u>1,609,620</u>	<u>196,412</u>
Other financing sources (uses):				
Refund of prior year's expenditures	125	125	128	3
Transfers (out)	(475,000)	(475,000)	(433,834)	41,166
Advances in	75,000	75,000	75,863	863
Advances (out)	(40,000)	(40,000)		40,000
Total other financing sources (uses)	<u>(439,875)</u>	<u>(439,875)</u>	<u>(357,843)</u>	<u>82,032</u>
Net change in fund balance	584,825	973,333	1,251,777	278,444
Fund balance at beginning of year	8,229,825	8,229,825	8,229,825	
Prior year encumbrances appropriated	196,146	196,146	196,146	
Fund balance at end of year	<u>\$ 9,010,796</u>	<u>\$ 9,399,304</u>	<u>\$ 9,677,748</u>	<u>\$ 278,444</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 10,703	\$ 70,211
Total assets.	<u>\$ 10,703</u>	<u>\$ 70,211</u>
Liabilities:		
Due to students.		<u>\$ 70,211</u>
Net assets:		
Held in trust for scholarships	<u>\$ 10,703</u>	
Total net assets	<u>\$ 10,703</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Deductions:		
Scholarships awarded	\$	3,000
		<hr/>
Change in net assets.		(3,000)
Net assets at beginning of year		<hr/> 13,703
Net assets at end of year.	\$	<hr/><hr/>10,703

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - REPORTING ENTITY

Port Clinton City School District (the "District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately 44 square miles. It is located in Ottawa County, and includes all of the territory of the City of Port Clinton, Bay Township, Catawba Township, Erie Township, and Portage Township. It is staffed by 126 certified full-time teaching personnel, 92 classified employees, and 12 administrators that provide services to 1,819 students and other community members. The District currently operates four instructional buildings, one administrative building, and one garage.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units.

C. Other Organizations

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 1 - REPORTING ENTITY - (Continued)

Parochial schools - Within the District boundaries, the Immaculate Conception Catholic School is operated through the Toledo Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The money is recorded in the auxiliary fund as a special revenue fund.

Jointly governed organizations - The District is involved with the Bay Area Council of Governments, Vanguard-Sentinel Joint Vocational School, and Northern Ohio Educational Computer Association (NOECA), which are defined as jointly governed organizations. Additional information about these organizations is presented in Note 13 to the basic financial statements.

Public entity risk pools - The District is also associated with a Workers' Compensation Group Rating Plan (GRP) and San Ott Insurance Consortium, which are defined as insurance purchasing pools. Additional information about these pools is presented in Note 12 to the basic financial statements.

Related organization - The Ida Rupp Public Library is a related organization of the District. Additional information about this organization is presented in Note 14 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In government-wide financial statements and the fund financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

A. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and expenses for goods and services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

Governmental funds - Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is provided for the retirement of serial bonds and short term notes and loans. All revenue derived from general or special levies, either within or exceeding the ten-mil limitation, which is levied for debt charges on bonds, notes, or loans, shall be paid into this fund.

Building fund - The building fund is used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Other governmental funds of the District account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

Fiduciary funds - Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trusts, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a scholarship program for students.

Agency funds are custodial in nature and do not involve measurement of results of operations. The agency funds account for student activities and the Ida Rupp public library.

C. Basis of Presentation

Government-wide financial statements - The statement of net assets and statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

D. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures for the general fund.

Tax budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Ottawa County Budget Commission for rate determination.

Estimated resources - By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amount reported as the final budgeted amount in the budgetary statements reflects the amounts in the final amended certificate issued during fiscal year 2011.

Appropriations - Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from the prior years. The amounts reported as the final budgeted amounts in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control.

Lapsing of appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$193,721, which includes \$111,077 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. As of June 30, 2011, there are no restricted assets in the general fund. See Note 15 for additional information regarding set-asides.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

I. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under cash basis of accounting.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

Interfund activity between governmental funds is eliminated in the statement of activities.

M. Fund Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - Amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - Amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unassigned - Residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

N. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District had no net assets restricted by enabling legislation.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Change in Basis of Accounting and Fund Reclassifications

During 2011, the District changed from a generally accepted basis of accounting to the cash basis of accounting (see Note 2.A). The District has also elected to present the cash basis financial statements in a GASB 34-like format. The fund balances for June 30, 2010 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals. In addition, fund reclassifications were required in order to report funds in accordance with GASB Statement No. 54.

For reporting in accordance with GASB 34-like statements, the District is required to present government-wide financial statements. These statements consolidate all governmental activities in a single column.

The transition from the modified accrual basis of accounting to the cash basis of accounting and fund reclassifications to report funds in accordance with GASB Statement No. 54 had the following effect on governmental fund balances at June 30, 2010:

	General	Bond Retirement	Building	Nonmajor Governmental	Total
Fund Balance at June 30, 2010	\$ 8,411,016	\$ 2,179,896	\$ 41,317,959	\$ 1,900,231	\$ 53,809,102
Change in Reporting Basis Adjustments	14,955	(285,931)	37,606	263,430	30,060
Fund Reclassifications:					
Special trust fund	1,149			(1,149)	
Uniform school supplies fund	18,669			(18,669)	
Rotary fund	889			(889)	
Special enterprise fund	60,457			(60,457)	
Public school support	49,602			(49,602)	
Termination benefits fund	950,208			(950,208)	
Total fund reclassifications	1,080,974			(1,080,974)	
Restated Fund Balance at June 30, 2010	\$ 9,506,945	\$ 1,893,965	\$ 41,355,565	\$ 1,082,687	\$ 53,839,162

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The transition from the accrual basis of accounting to the cash basis of accounting had the following effect on net assets of the governmental activities at June 30, 2010:

	Governmental Activities
Net Assets at June 30, 2010	\$ 13,698,850
Change in Reporting Basis Adjustments	40,140,312
Restated Net Assets at June 30, 2010	\$ 53,839,162

C. Compliance

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 prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

D. Deficit Cash Fund Balance

Fund balances at June 30, 2011 included the following individual fund deficit:

Nonmajor fund	Deficit
IDEA Part B	\$ 7,122

The general fund is liable for the deficit in this fund and provides transfers when cash is required, not when accruals occur.

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury, Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During fiscal year 2011, the District and public depositories complied with the provisions of these statutes.

A. Deposits with Financial Institutions

At fiscal year end, the carrying amount of the District's deposits (excluding petty cash on hand of \$6,370) was \$51,859,410 and the bank balance was \$52,113,034. Of the bank balance, \$26,750,000 was covered by the FDIC and \$25,363,034 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name.

B. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 Months or Less</u>
STAR Ohio	\$ 26,539	\$ 26,539
Total	<u>\$ 26,539</u>	<u>\$ 26,539</u>

Interest rate risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. It is the District's policy to evaluate market conditions, interest rate forecasts, and cash flow requirements to consider the term of an investment, with the goal being to buy where relative value exists along the maturity spectrum.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit risk: STAR Ohio has been given an AAAM rating by Standard & Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of credit risk: The District's investment policy is to be diversified in its holding of investments by avoiding concentrations of specific users. The following table includes the percentage total of each investment type held by the District at June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAR Ohio	\$ 26,539	100.00
Total	<u>\$ 26,539</u>	<u>100.00</u>

C. Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 51,859,410
Investments	26,539
Cash on hand	<u>6,370</u>
Total	<u>\$ 51,892,319</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 51,811,405
Private-purpose trust funds	10,703
Agency fund	<u>70,211</u>
Total	<u>\$ 51,892,319</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Advances

Interfund advances for the year ended June 30, 2011, consisted of the following, as reported on the fund statements:

<u>Advances to the general fund from:</u>	
Nonmajor governmental funds	\$ 75,863

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

The primary purpose of the interfund advances is to cover costs in specific funds where revenues were not received by June 30. These interfund advances were made to repay advances made in the prior fiscal year from the general fund to the food service and district managed student activities nonmajor special revenue funds.

Interfund advances between governmental funds are eliminated on the government-wide financial statements.

B. Transfers

Transfers out/in for the fiscal year ended June 30, 2011 consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Bond retirement fund	\$ 122,971
Nonmajor governmental funds	<u>110,863</u>
Total	<u><u>\$ 233,834</u></u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget required to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

\$25,000 of the transfers to other governmental funds was reallocated to the General Fund as part of the implementation of GASB 54.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Ottawa County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 590,774,300	97.41	\$ 592,139,550	97.36
Public utility personal	15,290,160	2.52	16,051,320	2.64
Tangible personal property	426,670	0.07		
Total	\$ 606,491,130	100.00	\$ 608,190,870	100.00
 Tax rate per \$1,000 of assessed valuation	 \$64.70		 \$64.70	

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 7 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2011 were as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/11</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds</u>					
Current interest bonds (Series 2003)	\$ 760,000		\$ (600,000)	\$ 160,000	\$ 160,000
Current interest bonds (Series 2010)	41,920,000			41,920,000	875,000
Capital appreciation bonds (Series 2010)	79,900			79,900	
Accreted interest	3,337	\$ 6,540		9,877	
Total general obligation bonds	<u>42,763,237</u>	<u>6,540</u>	<u>(600,000)</u>	<u>42,169,777</u>	<u>1,035,000</u>
<u>Other long-term obligations</u>					
Energy conservation notes	671,400		(94,000)	577,400	94,000
Total	<u>\$ 43,434,637</u>	<u>\$ 6,540</u>	<u>\$ (694,000)</u>	<u>\$ 42,747,177</u>	<u>\$ 1,129,000</u>

The general obligation bonds and energy conservation notes are funded from property tax receipts in, and will be paid out of, the bond retirement fund.

School Improvement Refunding General Obligation Bonds - Series 2003: - On September 15, 2003, the School District issued \$4,274,994 of general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$3,960,000 and \$314,994, respectively. The bonds refunded \$4,466,111 of outstanding 1989 School Improvement General Obligation Bonds and 1993 Library Bonds. The bonds were issued for an eight-year period with final maturity at December 1, 2011. At the date of refunding, \$4,470,871 (including premium and after underwriting fees, and other issuance costs) was received to pay off the old debt.

School Improvement General Obligation Bonds - (Series 2010): - On February 24, 2010, the District issued general obligation school improvement bonds (Series 2010) to provide long-term financing of constructing, renovating, remodeling, adding to, furnishing, equipping and otherwise improving District buildings and facilities and acquiring, clearing and improving their sites, including but not limited to constructing, furnishing and equipping a new middle school and adding to, renovating and otherwise improving Bataan Memorial Elementary School. The issuance and the sale of the District's \$41,999,900 general obligation school improvement bonds consisted of \$2,074,900 school improvement series 2010A tax-exempt bonds, \$24,760,000 school improvement Build America Bonds and \$15,165,000 taxable school improvement tax credit bonds (qualified school construction bonds).

2002 Energy Conservation Notes: - The District issued \$1,376,400 in House Bill 264 Notes. The Notes mature in May, 2017. The purpose of the House Bill 264 Notes was to renovate the high school in order to produce savings in energy costs.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

As of June 30, 2011, principal and interest requirements to retire general obligation bonds and energy conservation notes are:

Fiscal Year	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,035,000	\$ 1,815,096	\$ 2,850,096	\$ -	\$ -	\$ -
2013	885,000	1,798,751	2,683,751	-	-	-
2014	945,000	1,784,389	2,729,389	-	-	-
2015	960,000	1,769,451	2,729,451	-	-	-
2016	975,000	1,754,125	2,729,125	-	-	-
2017 - 2021	5,670,000	8,501,704	14,171,704	-	-	-
2022 - 2026	6,850,000	7,972,672	14,822,672	-	-	-
2027 - 2031	6,410,000	6,845,512	13,255,512	79,900	1,095,100	1,175,000
2032 - 2036	7,505,000	4,582,907	12,087,907	-	-	-
2037 - 2041	8,850,000	2,067,031	10,917,031	-	-	-
2042	1,995,000	62,843	2,057,843	-	-	-
Total	\$ 42,080,000	\$ 38,954,481	\$ 81,034,481	\$ 79,900	\$ 1,095,100	\$ 1,175,000

Fiscal Year	Energy Conservation Notes		
	Principal	Interest	Total
2012	\$ 94,000	\$ 118,797	\$ 212,797
2013	94,000	114,616	208,616
2014	94,000	110,450	204,450
2015	96,000	108,476	204,476
2016	100,000	107,948	207,948
2017	99,400	102,863	202,263
Total	\$ 577,400	\$ 663,150	\$ 1,240,550

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$14,797,304 (including available funds of \$2,220,026), an unvoted debt margin of \$608,191 and a legal energy conservation debt margin of \$4,896,318.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 8 - RISK MANAGEMENT

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the District has entered into contracts with various insurance agencies for various insurance.

The following is a list of all insurance coverage of the District and the deductibles associated with each:

<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Property	\$ 67,263,680	\$ 1,000
Inland marine*	-	250
Flood	2,000,000	50,000
Earthquake	2,000,000	50,000
Crime	100,000	1,000
General liability**	2,000,000	none
Employee benefits liability	2,000,000	none
Employer's (OH stop gap) liability	2,000,000	none
School leaders errors & omissions**	2,000,000	5,000
Sexual misconduct & molestation**	2,000,000	none
Law enforcement	n/a	n/a
Fleet policy** ***	2,000,000	none
Umbrella policy	9,000,000	none
Boiler & machinery	50,000,000	1,000

* Inland Marine Coverages is not included under the property policy - the deductible is \$1,000

** Umbrella policy of \$9,000,000 applies over this coverage

*** Auto Physical damage is subject to \$1,000 / \$1,000 deductibles

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District did not significantly reduce their limits of liability during the year.

All employees of the District are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

B. Workers' Compensation

The District joined together with other governments to form a group rating program administered through Sheakley, who is a third party administrator for workers' compensation. The District pays an annual premium to the pool for its workers compensation coverage. See Note 12 for further description.

**PORT CLINTON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 8 - RISK MANAGEMENT- (Continued)

C. Employee Health Insurance

The District has joined together with other school districts in the area to form the San Ott Insurance Consortium, whose purpose is to provide health coverage and benefits to and for the eligible employees of Consortium members and their dependents. The District pays premiums to the Consortium based upon the benefits structure selected. The Consortium Trust Agreement provides that the Consortium will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$250,000 and aggregate claims in excess of 120 percent of expected claims.

NOTE 9 - OTHER EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to fifteen days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth days for each calendar month under contract. Sick leave is cumulative to two hundred sixty-five days.

B. Service Retirement

Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Severance payment is based on the total number of days of unused sick leave, up to a maximum of 255 days, multiplied by .25 and then that number will be multiplied by the daily rate the teacher is currently receiving to determine the total severance pay. Employees must have ten years service with the State of Ohio Retirement system.

Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the non-certified employee's accrued but unused sick leave days at the time of retirement of which payment is based on the first forty-five days at the employee's per diem rate and from the forty-sixth day on, the employee shall be paid at ten percent of his/her per diem rate. Employees must have ten years service with the State of Ohio Retirement system.

Secretaries are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the secretaries' accrued but unused sick leave days at the time of retirement of which payment is based on the total number of days of unused sick leave, up to a maximum of 255 days will be multiplied by .25 and then that number will be multiplied by the daily rate the secretary is currently receiving to determine the total severance pay.

Administrative employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the administrative employee's accrued but unused sick leave days at the time of retirement of which payment is based on the total number of days of unused sick leave, up to a maximum of 255 days will be multiplied by .25 and then that number will be multiplied by the daily rate the administrator/supervisor is currently receiving to determine the total severance pay. Daily rate will be determined by dividing the total administrative salary plus longevity by 184 days.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 9 - OTHER EMPLOYEE BENEFITS - (Continued)

C. Vacation

The following scales are used to determine vacation leave for employees according to classifications:

(12) month administrators:

0-3 years	Two Weeks
4-7 years	Three Weeks
8 or more years	Four Weeks

Classified employees:

1-7 years	Two Weeks
8-12 years	Three Weeks
13-14 years	Four Weeks
15 or more years	Five Weeks

Secretaries:

1-10 years	Two Weeks
15 years	Three Weeks
After 15 years	Four Weeks

The Superintendent and Treasurer's vacation leave are determined through negotiated agreements.

D. Early Retirement Incentive

Certified employees that are eligible for retirement must tender their letter of resignation to the Board of Education no less than ninety days prior to their actual retirement date to be eligible for the early retirement incentive and also have no less than ten consecutive years of service in the district. The early retirement incentive will be calculated by multiplying the employee's daily rate times thirty. This will determine the yearly amount to pay. This payment will occur in each year over a three year period.

Non-certified employees that are eligible for retirement must tender their letter of resignation to the Board of Education within ninety days prior to their actual retirement date to be eligible for the early retirement incentive and also have no less than ten years of service in the district. The early retirement incentive will be calculated by multiplying thirty (days), times the employee's regular hours per day (excluding overtime, extra pay, extra trips etc.), times their regular hourly rate at the time of retirement. The incentive shall be paid in three equal installments, for three years, on or before March 31 each year. In the event of death of the employee, remaining proceeds from this incentive shall be paid to the estate.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 10 - PENSION PLANS

A. School Employees 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, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Media/Financial Reports*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$360,430, \$387,368 and \$285,551, respectively; 53.20 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 under *Publications*.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 10 - PENSION PLANS - (Continued)

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.

Funding Policy - For fiscal year 2011, 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, 2011, 2010 and 2009 were \$1,227,076, \$1,216,039 and \$1,182,270, respectively; 83.74 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Media/Financial Reports*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$89,287, \$59,417 and \$174,608, respectively; 53.20 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$23,194, \$23,036 and \$23,560, respectively; 53.20 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under *Publications*, or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$94,390, \$93,541 and \$90,944, respectively; 83.74 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 12 - PUBLIC ENTITY RISK POOLS

A. Insurance Purchasing Pool

The District participates in a Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program. 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 percentage 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 Sheakley provides administrative, cost control and actuarial services to the GRP.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 12 - PUBLIC ENTITY RISK POOLS – (Continued)

B. Risk Sharing Pool

The District participates in the San Ott Insurance Consortium, a shared risk pool with participants from Sandusky and Ottawa counties. The Consortium 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 Insurance Consortium, Shane Baumgardner, Danbury Local Schools, 9451 E. Harbor Road, Lakeside Marblehead, Ohio 43440.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

A. Bay Area Council of Governments

The Bay Area Council of Governments consists of number of area school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through Bay Area are natural gas and insurance. The only cost to the District is an administrative charge if they purchase something through the Council. The Bay Area Council of Governments consists of the superintendent of each school. The Board of Directors consists of one elected representative from each county, and the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). The District paid \$89,810 to Bay Area Council of Governments for natural gas in fiscal year 2011.

Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

B. Vanguard-Sentinel Joint Vocational School

The Vanguard-Sentinel Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of two representatives from Fremont City Schools and one representative from the Port Clinton City School District and each of the other twelve participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to Vanguard-Sentinel Joint Vocational School, Allen Binger, Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

C. Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a computer consortium. It is comprised of thirty-eight area school districts. The association was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. The District paid \$36,550 to NOECA for services in fiscal year 2011. Financial information can be obtained by contacting Betty Schwiefert, EHOESC Treasurer, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

NOTE 14 - RELATED ORGANIZATION

Ida Rupp Public Library

The library is a distinct political subdivision of the State of Ohio governed by a Board of Trustees. The trustees are appointed by the Port Clinton Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies.

NOTE 15 - SET-ASIDE REQUIREMENTS

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, 2011, the reserve activity was as follows:

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 15 - SET-ASIDE REQUIREMENTS – (Continued)

	Textbooks	Capital Improvements
Set-aside reserve balance June 30, 2010		
Current year set-aside requirement	\$ 241,069	\$ 241,069
Current year qualifying expenditures	(283,129)	(62,010)
Excess qualified expenditures from prior years	(1,695,166)	
Prior year offset from bond proceeds		(179,059)
Total	\$ (1,737,226)	
Balance carried forward to fiscal year 2012		
Set-aside reserve balance June 30, 2011		

Effective July 1, 2011, the textbook set-aside laws have been repealed. Therefore, the negative amount is not presented as being carried forward to future years. For the capital improvements reserve, qualifying expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison schedule presented for the general fund and the emergency levy fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund;

Net Change in Fund Cash Balance

	<u>General fund</u>
Cash basis	\$ 1,464,887
Funds budgeted elsewhere **	32,534
Adjustment for encumbrances	(245,644)
Budget basis	\$ 1,251,777

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the statement of receipts, disbursements and changes in fund balances - cash basis. This includes the special trust fund, rotary - special services fund, public school support fund, special enterprises fund, uniform school supplies fund and the termination benefits fund.

NOTE 17 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

The District may be party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

Funds	Year-End Encumbrances
General fund	\$ 258,234
Building fund	3,752,852
Other governmental funds	150,939
Total	\$ 4,162,025

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR	Federal		
<i>Pass Through Grantor</i>	CFDA		
<u>Program Title</u>	<u>Number</u>	<u>Receipts</u>	<u>Disbursements</u>
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Education</i>			
<u>Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$71,475	\$71,475
National School Lunch Program			
Cash Assistance	10.555	328,900	328,900
Non-cash Assistance (Food Distribution)	10.555	40,705	40,705
Total - National School Lunch Program		<u>369,605</u>	<u>369,605</u>
Total United States Department of Agriculture		<u>441,080</u>	<u>441,080</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through the Ohio Department of Education</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	427,018	428,345
ARRA - Special Education - Grants to States (IDEA, Part B)	84.391	28,394	58,311
<i>Passed through North Point Educational Service Center</i>			
Special Education - Preschool Grants (IDEA Preschool)	84.173	12,786	12,786
ARRA - Special Education - Preschool Grants (IDEA Preschool)	84.392	9,242	4,600
Total - Special Education Cluster (IDEA)		<u>477,440</u>	<u>504,042</u>
<i>Passed through the Ohio Department of Education</i>			
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	364,668	372,444
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	145,499	150,935
Total - Title I Cluster		<u>510,167</u>	<u>523,379</u>
ARRA - State Fiscal Stabilization Fund – Education State Fund	84.394	227,051	227,051
ARRA - Race to the Top	84.395	23,200	23,161
Education Technology State Grants	84.318	1,250	1,250
Improving Teacher Quality State Grants	84.367	36,470	26,705
Total United States Department of Education		<u>1,275,578</u>	<u>1,305,588</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,716,658</u>	<u>\$ 1,746,668</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Port Clinton City School District's (the District's) Federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends Federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Port Clinton City School District
Ottawa County
431 Portage Drive
Port Clinton, Ohio 43452

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Clinton City School District, Ottawa County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2012, wherein we noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We also noted the District changed its financial statement presentation from accounting principles generally accepted in the United States of America to the cash basis. 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 opinions 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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 16, 2012.

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, federal awarding agencies, pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 16, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Port Clinton City School District
Ottawa County
431 Portage Drive
Port Clinton, Ohio 43452

To the Board of Education:

Compliance

We have audited the compliance of Port Clinton City School District, Ottawa County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Port Clinton City School District, Ottawa County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 16, 2012

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster CFDA # 84.010 and 84.389 Nutrition Cluster CFDA # 10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2011-001

Noncompliance Finding

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 the District to file annual financial report which are prepared using generally accepted accounting principles (GAAP).

For fiscal year 2011, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a higher risk for the District's assets and debt.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Port Clinton City School District
Ottawa County
431 Portage Drive
Port Clinton, Ohio 43452

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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Port Clinton City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the District amended its anti-harassment policy at its meeting on December 6, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 16, 2012

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Dave Yost • Auditor of State

PORT CLINTON CITY 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
MARCH 29, 2012