

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**Mary Taylor, CPA**  
Auditor of State



**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

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# Mary Taylor, CPA

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, the 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, 2009, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Port Clinton City School District, Ottawa County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 9, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(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, 2009. 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 2009 are as follows:

- In total, net assets of governmental activities increased \$1,471,699 which represents a 14.63% increase from 2008.
- General revenues accounted for \$20,958,484 in revenue or 88.35% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,762,722 or 11.65% of total revenues of \$23,721,206.
- The District had \$22,249,507 in expenses related to governmental activities; only \$2,762,722 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,958,484 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$20,527,593 in revenues and \$19,666,270 in expenditures and other financing uses. During fiscal 2009, the general fund's fund balance increased \$861,323 from a balance of \$6,445,167 to a balance of \$7,306,490.

**Using the Basic Financial Report (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those 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 fund with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operations and maintenance, non-instructional services, pupil transportation, operations of services, extracurricular activities, interest on fiscal charges, and food service operations.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

Fund financial reports provide detailed information about the District's major fund. 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 fund. The District's only major governmental fund is the general fund.

***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 year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* 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 spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

***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 and Changes in Fiduciary Net Assets. 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.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

**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 2009 and 2008.

	<b>Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Assets</u></b>		
Current and other assets	\$ 25,389,031	\$ 26,494,580
Capital assets	<u>3,396,780</u>	<u>3,337,498</u>
Total assets	<u>28,785,811</u>	<u>29,832,078</u>
<b><u>Liabilities</u></b>		
Current liabilities	13,540,646	15,440,853
Long-term liabilities	<u>3,711,465</u>	<u>4,329,224</u>
Total liabilities	<u>17,252,111</u>	<u>19,770,077</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,017,729	2,021,435
Restricted	3,642,049	4,058,829
Unrestricted	<u>5,873,922</u>	<u>3,981,737</u>
Total net assets	<u>\$ 11,533,700</u>	<u>\$ 10,062,001</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$11,533,700.

At year-end, capital assets represented 11.80% of total assets. Capital assets include land, buildings and improvements, furniture, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$2,017,729. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

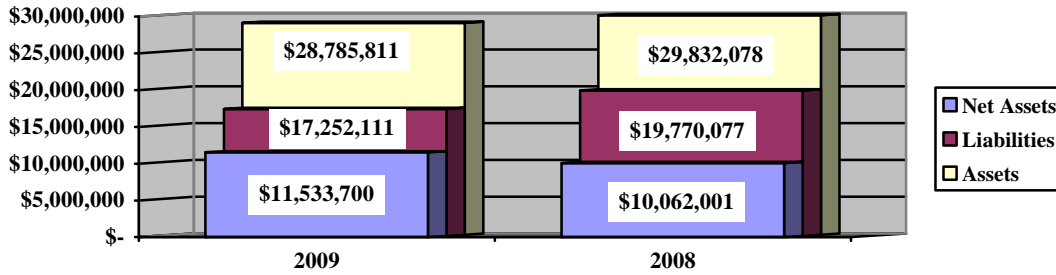
A portion of the District's net assets, \$3,642,049, represents resources that are subject to external restriction on how they may be used.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

The table below illustrates the District's assets, liabilities and net assets at June 30, 2009 and 2008.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2009 and 2008.

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,129,801	\$ 926,905
Operating grants and contributions	1,541,579	1,736,898
Capital grants and contributions	91,342	109,068
General revenues:		
Property taxes	14,054,441	14,602,609
Grants and entitlements	6,425,300	5,819,569
Investment earnings	441,072	384,466
Other	<u>37,671</u>	<u>116,237</u>
 Total revenues	 <u>\$ 23,721,206</u>	 <u>\$ 23,695,752</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

**Change in Net Assets**

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 9,201,057	\$ 8,347,270
Special	2,407,883	1,871,129
Vocational	127,244	134,074
Other	747,127	1,481,406
Support services:		
Pupil	1,914,937	1,865,607
Instructional staff	446,391	364,346
Board of education	20,045	20,551
Administration	1,410,505	1,362,271
Fiscal	679,303	657,148
Operation and maintenance	2,365,063	2,309,508
Pupil transportation	1,197,289	1,006,158
Central	173,933	119,714
Operation of non-instructional services	169,396	111,312
Food service operations	692,243	624,808
Extracurricular activities	585,067	564,837
Interest and fiscal charges	112,024	166,399
Total expenses	<u>22,249,507</u>	<u>21,006,538</u>
Change in net assets	1,471,699	2,689,214
Net assets, beginning of year	<u>10,062,001</u>	<u>7,372,787</u>
Net assets, end of year	<u>\$ 11,533,700</u>	<u>\$ 10,062,001</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,471,699. Total governmental expenses of \$22,249,507 were offset by program revenues of \$2,762,722 and general revenues of \$20,958,484. Program revenues supported 12.42% of the total governmental expenses. The main reasons for the increase in net assets were paying off the long term debt for capital appreciation bonds and accreted interest in fiscal year 2009 and less current liabilities for unearned revenue in 2009 compared to 2008.

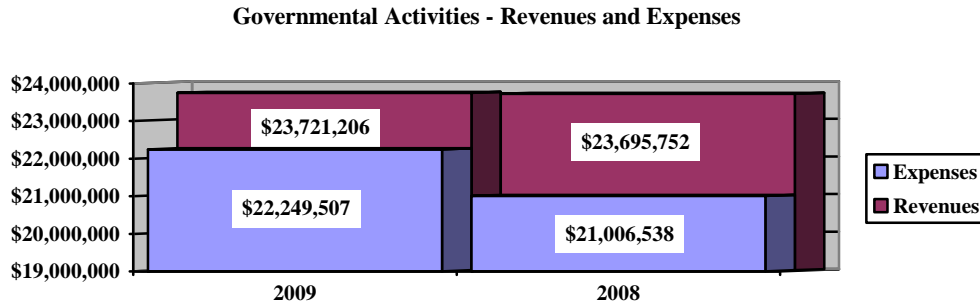
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 86.34% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,483,311 or 56.11% of total governmental expenses for fiscal 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.



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 revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 9,201,057	\$ 8,343,142	\$ 8,347,270	\$ 7,680,789
Special	2,407,883	1,857,994	1,871,129	1,220,224
Vocational	127,244	127,244	134,074	134,074
Other	747,127	746,379	1,481,406	1,480,939
Support services:				
Pupil	1,914,937	1,699,440	1,865,607	1,591,229
Instructional staff	446,391	443,379	364,346	359,903
Board of education	20,045	20,045	20,551	20,551
Administration	1,410,505	1,371,398	1,362,271	1,296,807
Fiscal	679,303	650,284	657,148	638,469
Operations and maintenance	2,365,063	2,365,063	2,309,508	2,198,004
Pupil transportation	1,197,289	1,134,624	1,006,158	986,602
Central	173,933	92,656	119,714	80,768
Operations of non-instructional services	169,396	72,385	111,312	(5,415)
Food service operations	692,243	40,205	624,808	(23,312)
Extracurricular activities	585,067	410,523	564,837	407,636
Interest and fiscal charges	112,024	112,024	166,399	166,399
<b>Total expenses</b>	<u>\$22,249,507</u>	<u>\$19,486,785</u>	<u>\$21,006,538</u>	<u>\$18,233,667</u>

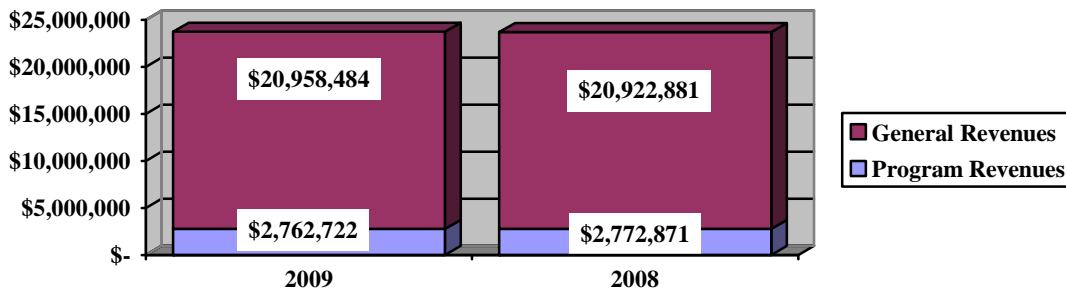
**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, 88.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.58%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$10,773,809, which is higher than last year's total of \$10,459,534. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase <u>(Decrease)</u>
General	\$ 7,306,490	\$ 6,445,167	\$ 861,323
Other Governmental	<u>3,467,319</u>	<u>4,014,367</u>	<u>(547,048)</u>
Total	<u>\$ 10,773,809</u>	<u>\$10,459,534</u>	<u>\$ 314,275</u>

**General Fund**

The District's general fund balance increased \$861,323. The increase in fund balance can be attributed to an increase in revenues still being more than increased expenditures. Revenues exceeded expenditures by \$1,273,293 in fiscal 2009. The District had to increase expenditures from fiscal 2008 to fiscal 2009, primarily due to rising wage and health benefit costs for the District. The District was able to increase revenues from fiscal 2008 to fiscal 2009, primarily due to an increase in intergovernmental revenues. The increase in intergovernmental revenues is the result of the District receiving governmental reimbursements for the loss of tangible personal property tax revenue. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 13,403,623	\$ 13,506,497	(0.76) %
Tuition	304,935	333,491	(8.56) %
Earnings on investments	338,759	381,540	(11.21) %
Intergovernmental	6,425,300	5,846,577	9.90 %
Other revenues	<u>54,976</u>	<u>150,990</u>	(63.59) %
 Total	 <u>\$ 20,527,593</u>	 <u>\$ 20,219,095</u>	 1.53 %
<b><u>Expenditures</u></b>			
Instruction	\$ 11,068,142	\$ 10,618,095	4.24 %
Support services	7,726,168	6,923,444	11.59 %
Operation of non-instructional services	24,531	-	100.00 %
Extracurricular activities	371,787	357,757	3.92 %
Facilities acquisition and construction	<u>63,672</u>	<u>128,365</u>	(50.40) %
 Total	 <u>\$ 19,254,300</u>	 <u>\$ 18,027,661</u>	 6.80 %

***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.

During the course of fiscal 2009, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$19,917,287, which was lower than the original budget estimate of \$20,661,634. Actual revenues and other financing sources for fiscal 2009 was \$20,353,645. This represents a \$436,358 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$22,662,154 were decreased to \$20,906,496 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$19,882,961, which was \$1,023,535 less than the final budget appropriations. This was mainly due to spending less for operations and maintenance as well as making less transfers and advances than anticipated.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2009, the District had \$3,396,780 invested in land, buildings and improvements, furniture, equipment and vehicles, net of accumulated depreciation. This entire amount is reported in governmental activities.

The following table shows fiscal 2009 balances compared to 2008:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2009	2008
Land	\$ 58,517	\$ 58,517
Building and improvements	2,715,384	2,800,408
Furniture, equipment and vehicles	622,879	478,573
Total	\$ 3,396,780	\$ 3,337,498

Total additions to capital assets for 2009 were \$507,916. The overall increase in capital assets of \$59,282 is primarily due to additions exceeding the recording of \$314,323 in depreciation expense and disposals of \$134,311 (net of accumulated depreciation) for fiscal 2009.

***Debt Administration***

At June 30, 2009, the District had \$2,110,400 in general obligation bonds and energy conservation notes outstanding. Of this total, \$679,000 is due within one year and \$1,431,400 is due in greater than one year. The following table summarizes the loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2009	Governmental Activities 2008
General obligation bonds	\$ 1,345,000	\$ 1,977,977
Energy conservation notes	765,400	859,400
Total	\$ 2,110,400	\$ 2,837,377

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

**Current Financial Related Activities**

Port Clinton City School District (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 2008 for a five year period. However, financially the future is not without challenges.

Management must diligently plan expenditures, staying carefully within the District's five-year forecast.

Declining state foundation payments due to charge-offs by the state provide no significant increase in future revenues. Increases in property tax revenues that do occur are offset by decreases in state foundation payments. With its major source of revenue not keeping pace with expenditure increases, the District must seek additional tax revenue to continue current operations. However, the District cannot look to the State of Ohio for increased revenue and must be on the lookout for unexpected additional budget reductions initiated by the Governor.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually no additional state revenue will be available to the District. Thus, both taxes and state revenue are fixed or declining. The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Standard and Poors has currently given the District a bond rating of AA+.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's 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.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash, cash equivalents and investments . . . . .	\$ 11,382,562
Cash in segregated accounts . . . . .	2,590
Receivables:	
Taxes . . . . .	13,767,461
Accounts . . . . .	260
Intergovernmental . . . . .	50,496
Accrued interest . . . . .	119,983
Prepayments . . . . .	22,422
Materials and supplies inventory . . . . .	9,208
Bond issuance costs . . . . .	34,049
Capital assets:	
Land . . . . .	58,517
Depreciable capital assets, net . . . . .	3,338,263
Total capital assets, net . . . . .	<u>3,396,780</u>
 Total assets . . . . .	 <u>28,785,811</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	60,428
Accrued wages and benefits . . . . .	1,514,614
Pension obligation payable . . . . .	481,658
Intergovernmental payable . . . . .	37,638
Unearned revenue . . . . .	11,440,762
Accrued interest payable . . . . .	5,546
Long-term liabilities:	
Due within one year . . . . .	1,000,852
Due within more than one year . . . . .	2,710,613
 Total liabilities . . . . .	 <u>17,252,111</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	2,017,729
Restricted for:	
Capital projects . . . . .	853,084
Debt service . . . . .	1,643,046
Severance payments . . . . .	773,904
Locally funded programs . . . . .	32,149
State funded programs . . . . .	32,419
Federally funded programs . . . . .	3,919
Student activities . . . . .	51,485
Other purposes . . . . .	252,043
Unrestricted . . . . .	<u>5,873,922</u>
 Total net assets . . . . .	 <u>\$ 11,533,700</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 9,201,057	\$ 719,952	\$ 137,963	\$ -	\$ (8,343,142)
Special . . . . .	2,407,883	-	549,889	-	(1,857,994)
Vocational . . . . .	127,244	-	-	-	(127,244)
Other . . . . .	747,127	-	748	-	(746,379)
Support services:					
Pupil. . . . .	1,914,937	-	215,497	-	(1,699,440)
Instructional staff . . . . .	446,391	2	3,010	-	(443,379)
Board of education . . . . .	20,045	-	-	-	(20,045)
Administration. . . . .	1,410,505	-	39,107	-	(1,371,398)
Fiscal. . . . .	679,303	-	-	29,019	(650,284)
Operations and maintenance . . . . .	2,365,063	-	-	-	(2,365,063)
Pupil transportation. . . . .	1,197,289	-	342	62,323	(1,134,624)
Central . . . . .	173,933	-	81,277	-	(92,656)
Operation of non-instructional					
services . . . . .	169,396	778	96,233	-	(72,385)
Food service operations . . . . .	692,243	264,467	387,571	-	(40,205)
Extracurricular activities. . . . .	585,067	144,602	29,942	-	(410,523)
Interest and fiscal charges . . . . .	112,024	-	-	-	(112,024)
<b>Total governmental activities . . . . .</b>	<b>\$ 22,249,507</b>	<b>\$ 1,129,801</b>	<b>\$ 1,541,579</b>	<b>\$ 91,342</b>	<b>(19,486,785)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	13,515,112
Debt service. . . . .	539,329
Grants and entitlements not restricted	
to specific programs . . . . .	6,425,300
Investment earnings . . . . .	441,072
Miscellaneous . . . . .	37,671
<b>Total general revenues . . . . .</b>	<b>20,958,484</b>
<b>Change in net assets . . . . .</b>	<b>1,471,699</b>
<b>Net assets at beginning of year . . . . .</b>	<b>10,062,001</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 11,533,700</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash, cash equivalents and investments . . . . .	\$ 7,523,293	\$ 3,859,269	\$ 11,382,562
Cash in segregated accounts . . . . .	-	2,590	2,590
Receivables:			
Taxes . . . . .	13,262,900	504,561	13,767,461
Accounts . . . . .	260	-	260
Intergovernmental . . . . .	-	50,496	50,496
Accrued interest . . . . .	119,983	-	119,983
Interfund loans . . . . .	22,506	-	22,506
Loans to other funds . . . . .	50,863	-	50,863
Prepayments . . . . .	22,422	-	22,422
Materials and supplies inventory . . . . .	-	9,208	9,208
<b>Total assets . . . . .</b>	<b>\$ 21,002,227</b>	<b>\$ 4,426,124</b>	<b>\$ 25,428,351</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 44,426	\$ 16,002	\$ 60,428
Accrued wages and benefits . . . . .	1,408,136	106,478	1,514,614
Compensated absences payable . . . . .	-	225,803	225,803
Pension obligation payable . . . . .	435,079	46,579	481,658
Intergovernmental payable . . . . .	34,279	3,359	37,638
Interfund loan payable . . . . .	-	22,506	22,506
Loans from other funds . . . . .	-	50,863	50,863
Deferred revenue . . . . .	765,213	55,057	820,270
Unearned revenue . . . . .	11,008,604	432,158	11,440,762
<b>Total liabilities . . . . .</b>	<b>13,695,737</b>	<b>958,805</b>	<b>14,654,542</b>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	244,507	570,396	814,903
Reserved for materials and supplies inventory . . . . .	-	9,208	9,208
Reserved for property tax unavailable for appropriation . . . . .	1,591,396	67,842	1,659,238
Reserved for prepayments . . . . .	22,422	-	22,422
Reserved for loans . . . . .	50,863	-	50,863
Unreserved:			
Designated for termination benefits . . . . .	-	773,904	773,904
Undesignated, reported in:			
General fund . . . . .	5,397,302	-	5,397,302
Special revenue funds . . . . .	-	79,430	79,430
Debt service fund . . . . .	-	1,648,592	1,648,592
Capital projects funds . . . . .	-	317,947	317,947
<b>Total fund balances . . . . .</b>	<b>7,306,490</b>	<b>3,467,319</b>	<b>10,773,809</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 21,002,227</b>	<b>\$ 4,426,124</b>	<b>\$ 25,428,351</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$	10,773,809
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,396,780
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	667,461	
Intergovernmental revenue		50,496	
Accrued interest		102,313	
Total			820,270
Unamortized deferred charges on refundings are not recognized in the funds.			73,454
Unamortized premiums on bond and note issuances are not recognized in the funds.			(107,502)
Unamortized bond issuance costs are not recognized in the funds.			34,049
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		1,345,000	
Energy conservation notes		765,400	
Compensated absences		1,341,214	
Accrued interest payable		5,546	
Total			(3,457,160)
<b>Net assets of governmental activities</b>		\$	11,533,700

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 13,403,623	\$ 538,562	\$ 13,942,185
Tuition . . . . .	304,935	-	304,935
Earnings on investments . . . . .	338,759	2,015	340,774
Charges for services . . . . .	-	357,965	357,965
Extracurricular . . . . .	-	145,057	145,057
Classroom materials and fees . . . . .	18,229	48,055	66,284
Rental income . . . . .	4,866	-	4,866
Contributions and donations . . . . .	62	49,199	49,261
Other local revenues . . . . .	31,819	256,483	288,302
Intergovernmental - intermediate sources . . . . .	-	19,451	19,451
Intergovernmental - state . . . . .	6,416,753	397,161	6,813,914
Intergovernmental - federal . . . . .	8,547	1,114,600	1,123,147
Total revenue . . . . .	<u>20,527,593</u>	<u>2,928,548</u>	<u>23,456,141</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	8,358,467	461,137	8,819,604
Special . . . . .	1,839,751	532,276	2,372,027
Vocational . . . . .	124,301	-	124,301
Other . . . . .	745,623	1,504	747,127
Support Services:			
Pupil . . . . .	1,700,258	241,518	1,941,776
Instructional staff . . . . .	448,540	4,515	453,055
Board of education . . . . .	20,045	-	20,045
Administration . . . . .	1,367,881	65,417	1,433,298
Fiscal . . . . .	682,596	10,333	692,929
Operations and maintenance . . . . .	2,246,746	48,378	2,295,124
Pupil transportation . . . . .	1,175,755	23,361	1,199,116
Central . . . . .	84,347	89,586	173,933
Operation of non-instructional services . . . . .	24,531	96,513	121,044
Food service operations . . . . .	-	679,356	679,356
Extracurricular activities . . . . .	371,787	213,280	585,067
Facilities acquisition and construction . . . . .	63,672	580,524	644,196
Debt service:			
Principal retirement . . . . .	-	764,000	764,000
Interest and fiscal charges . . . . .	-	75,868	75,868
Total expenditures . . . . .	<u>19,254,300</u>	<u>3,887,566</u>	<u>23,141,866</u>
Excess of revenues over (under) expenditures . . . . .	<u>1,273,293</u>	<u>(959,018)</u>	<u>314,275</u>
<b>Other financing sources:</b>			
Transfers in . . . . .	-	411,970	411,970
Transfers (out) . . . . .	(411,970)	-	(411,970)
Total other financing sources . . . . .	<u>(411,970)</u>	<u>411,970</u>	<u>-</u>
Net change in fund balances . . . . .	861,323	(547,048)	314,275
<b>Fund balances at beginning of year . . . . .</b>	<u>6,445,167</u>	<u>4,014,367</u>	<u>10,459,534</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 7,306,490</u>	<u>\$ 3,467,319</u>	<u>\$ 10,773,809</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	314,275
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$507,916) exceeds depreciation expense (\$314,323) in the current period.		193,593
The net effect of various miscellaneous transactions involving capital assets (i.e.; disposals, sales, trade-ins, and donations) is to decrease net assets.		(134,311)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		265,065
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		764,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(36,160)
Unamortized premiums on bond issuances are not recognized in the funds.		35,835
Unamortized deferred charges on refundings are not recognized in the funds.		(24,483)
Unamortized bond issuance costs are not recognized in the funds.		(11,348)
Some expenses reported in the statement of activities, such as compensated absences, future retirement obligations, and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		105,233
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>1,471,699</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 14,421,626	\$ 14,421,626	\$ 13,276,548	\$ (1,145,078)
Tuition. . . . .	272,116	272,116	311,680	39,564
Earnings on investments. . . . .	276,421	276,421	277,148	727
Classroom materials and fees . . . . .	12,411	12,411	18,177	5,766
Other local revenues. . . . .	3,110	3,110	19,370	16,260
Intergovernmental - state . . . . .	5,657,678	4,913,331	6,416,753	1,503,422
Intergovernmental - federal . . . . .	-	-	8,547	8,547
Total revenue . . . . .	20,643,362	19,899,015	20,328,223	429,208
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	9,227,401	7,471,743	8,357,307	(885,564)
Special. . . . .	1,393,040	1,393,040	1,847,584	(454,544)
Vocational. . . . .	594,863	594,863	123,911	470,952
Other. . . . .	1,689,497	1,689,497	762,947	926,550
Support Services:				
Pupil. . . . .	1,518,342	1,518,342	1,693,553	(175,211)
Instructional staff . . . . .	404,597	404,597	462,864	(58,267)
Board of education . . . . .	25,809	25,809	17,137	8,672
Administration. . . . .	1,390,440	1,390,440	1,375,237	15,203
Fiscal . . . . .	732,628	732,628	691,304	41,324
Operations and maintenance. . . . .	3,170,674	3,170,674	2,392,221	778,453
Pupil transportation . . . . .	1,183,065	1,183,065	1,187,530	(4,465)
Central. . . . .	94,298	94,298	84,486	9,812
Operation of non-instructional services . . . . .	50,000	50,000	24,531	25,469
Extracurricular activities. . . . .	393,350	393,350	361,150	32,200
Facilities acquisition and construction. . . . .	103,006	103,006	66,723	36,283
Total expenditures . . . . .	21,971,010	20,215,352	19,448,485	766,867
Excess of revenues over (under) expenditures. . . . .	(1,327,648)	(316,337)	879,738	1,196,075
<b>Other financing sources (uses):</b>				
Transfers out . . . . .	(533,744)	(533,744)	(411,970)	121,774
Advances in. . . . .	8,252	8,252	8,253	1
Advances out. . . . .	(157,400)	(157,400)	(22,506)	134,894
Proceeds from sale of capital assets. . . . .	-	-	100	100
Refund of prior year expenditures . . . . .	10,020	10,020	17,069	7,049
Total other financing sources (uses) . . . . .	(672,872)	(672,872)	(409,054)	263,818
Net change in fund balance . . . . .	(2,000,520)	(989,209)	470,684	1,459,893
<b>Fund balance at beginning of year . . . . .</b>	6,183,398	6,183,398	6,183,398	-
<b>Prior year encumbrances appropriated . . . . .</b>	567,259	567,259	567,259	-
<b>Fund balance at end of year . . . . .</b>	\$ 4,750,137	\$ 5,761,448	\$ 7,221,341	\$ 1,459,893

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 13,703	\$ 68,154
Total assets. . . . .	13,703	\$ 68,154
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 68,154
Total liabilities . . . . .	-	\$ 68,154
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	\$ 13,703	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 157
Total additions. . . . .	157
<b>Deductions:</b>	
Scholarships awarded . . . . .	499
Change in net assets . . . . .	(342)
<b>Net assets at beginning of year. . . . .</b>	<b>14,045</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 13,703</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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 129 certified full-time teaching personnel, 96 classified employees, and 11 administrators that provide services to 1,824 students and other community members. The District currently operates four instructional buildings, one administrative building, and one garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government and component units. The primary government 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.

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 government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

The following activities are included within the reporting entity:

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 15 to the basic financial statements.

Public Entity Risk Pools - The District is also associated with the Ohio Association of School Business Officials 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 14 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 16 to the basic financial statements.

**B. Fund Accounting**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

Governmental funds - Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

General fund - The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

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 (assets equal liabilities) and do not involve measurement of results of operations. The agency funds account for student activities.

**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.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relation between the government-wide statements and the statements to governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues 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 represented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and statement of revenues, expenditures and changes in fund balances, which reports on the

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

The trust fund is reported using the economic resources measurement focus.

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. 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 express 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 June 30, 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.

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 2009.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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.

**F. 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 investments" on the balance sheet.

During fiscal year 2009, investments were limited to federal securities, the State Treasury Asset Reserve of Ohio (STAR Ohio), a money market, and certificates of deposit.

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

The District has invested funds in STAR Ohio during fiscal year 2009. 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 share price which is the price the investment could be sold for on June 30, 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

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 2009 amounted to \$338,759, which includes \$123,035 assigned from other District funds.

The District has segregated bank accounts for monies held separate from the District's central bank account. These interest bearing depository accounts are presented on the balance sheet as "Cash in segregated accounts" since they are not required to be deposited into the District treasury. For presentation on the balance sheet, 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.

**G. 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, 2009, there are no restricted assets in the general fund. See Note 17 for additional information regarding set-asides.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Inventory**

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. On the fund financial statements inventories are stated at cost and expensed when purchased and cost is determined on a first-in, first-out basis.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**J. Deferred Charges**

On the governmental fund statements, bond issuance costs are recorded as an expenditure when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from the effective interest method.



**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**K. Bond Premiums**

Bond premiums are recorded as other financing source on the governmental fund statements. On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable.

**L. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the government activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. In fiscal year 2009, the District increased the useful lives of equipment and vehicles. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	40 years
Furniture	10 years
Equipment	5-20 years
Vehicles	5-10 years

**M. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**N. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the governmental columns of the statement of net assets. Interfund services provided and used are not eliminated in the process of consolidation.

**O. Compensated Absences**

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all classified and non-classified employees who are age fifty with at least ten years of service, or any age with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements.

**P. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**Q. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 expenditures to the funds that initially paid from them are not presented on the financial statements. All interfund transactions between governmental funds have been eliminated on the government-wide financial statements.

**R. Fund Balance Reserves and Designations**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, materials and supplies inventory, property tax unavailable for appropriation, prepayments, and loans.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

The District has also designated a portion of fund equity which was legally segregated for a specific future use. The District has reported a fund equity designation for termination benefits.

**S. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2009, none of the District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

The District applies restricted resources first when an expense is incurred for the purposes for which both restricted and unrestricted net assets are available.

**T. 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 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

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

**U. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Food service	\$ 71,752
Public school preschool	118
IDEA part B grants	12,231
Title I disadvantaged children	17,340
Drug free school grant	17

The deficits in these funds are the result of adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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.

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 School 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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 School 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.

At year end, the School District had \$7,920 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,907,775 of the School District's bank balance of \$8,887,202 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2009, the School District had the following investments:

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	More than 24 months
FHLMC	\$ 655,027	\$ -	\$ -	\$ -	\$ 464,778	\$ 190,249
STAR Ohio	2,180,198	2,180,198	-	-	-	-
	<u>\$ 2,835,225</u>	<u>\$ 2,180,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,778</u>	<u>\$ 190,249</u>

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of AAA NS Aaa by Standard & Poor's Investor Services and Moody's Investor Services, respectively. STAR Ohio carries a rating of AAAM by Standard and Poor's. The School 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 and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Loans To/From Other Funds**

Loans to/from other funds at June 30, 2009 consisted of the following, as reported in the fund financial statements:

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

<u>Loans to other funds reported in the general fund:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 50,863
Total	<u>\$ 50,863</u>

Loans to/from other funds are long-term interfund loans, and are not expected to be repaid in the subsequent fiscal year. Loans to/from other funds between governmental funds are eliminated and are not reported on the government-wide statement of net assets.

**B. Interfund Loans Receivable/Payable**

Interfund loans receivable/payable at June 30, 2009 consisted of the following, as reported in the fund financial statements:

Interfund loans receivable reported in the general fund:	Amount
Nonmajor governmental funds	<u>\$ 22,506</u>
Total	<u>\$ 22,506</u>

Interfund loans receivable/payable are short-term interfund loans, and are expected to be repaid in the subsequent fiscal year. The primary purpose of these interfund loans is to cover costs where revenues were not received by June 30. The interfund loans will be repaid once the anticipated revenues are received. Interfund loans between governmental funds are eliminated and are not reported on the government-wide statement of net assets.

**C. Transfers Out/In**

Transfers out/in for the fiscal year ended June 30, 2009 consisted of the following, as reported in the fund financial statements:

Transfers out reported in the general fund:	Amount
Nonmajor governmental funds	<u>\$ 411,970</u>
Total	<u>\$ 411,970</u>

Transfers out/in are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires 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 authorization. Transfers between governmental funds are eliminated and are not reported on the government-wide statement of activities.



**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**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 tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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 calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$1,591,396 in the general fund and \$67,842 in the permanent improvement capital projects fund (a nonmajor governmental). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$1,464,321 in the general fund and \$63,250 in the permanent improvement capital projects fund (a nonmajor governmental fund). 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.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 6 - PROPERTY TAXES - (Continued)**

of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 567,785,070	96.62	\$ 579,969,820	97.48
Public utility personal property	13,954,010	2.37	14,181,130	2.38
Tangible personal property	<u>5,949,030</u>	<u>1.01</u>	<u>811,665</u>	<u>0.14</u>
Total	<u>\$ 587,688,110</u>	<u>100.00</u>	<u>\$ 594,962,615</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuatic	\$ 58.30		\$ 60.17	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (rent, billings for user charged services, and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 13,767,461
Accounts	260
Intergovernmental	50,496
Accrued interest	<u>119,983</u>
Total	<u>\$ 13,938,200</u>

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 58,517	\$ -	\$ -	\$ 58,517
<i>Total capital assets, not being depreciated</i>	<u>58,517</u>	<u>-</u>	<u>-</u>	<u>58,517</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	9,777,448	182,694	(293,406)	9,666,736
Furniture, equipment and vehicles	3,583,628	325,222	(1,069,872)	2,838,978
<i>Total capital assets, being depreciated</i>	<u>13,361,076</u>	<u>507,916</u>	<u>(1,363,278)</u>	<u>12,505,714</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(6,977,040)	(156,730)	182,418	(6,951,352)
Furniture, equipment and vehicles	(3,105,055)	(157,593)	1,046,549	(2,216,099)
<i>Total accumulated depreciation</i>	<u>(10,082,095)</u>	<u>(314,323)</u>	<u>1,228,967</u>	<u>(9,167,451)</u>
Total capital assets, net	<u>\$ 3,337,498</u>	<u>\$ 193,593</u>	<u>\$ (134,311)</u>	<u>\$ 3,396,780</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 181,452
<u>Support services:</u>	
Administration	12,305
Operations and maintenance	31,943
Pupil transportation	42,205
Other non-instructional services	<u>46,418</u>
Total depreciation expense	<u>\$ 314,323</u>

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 9 - 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 2009, 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:

Coverage	Amount	Deductible
Property	\$ 65,780,319	\$ 5,000
Inland marine	1,859,305	250
Flood	1,000,000	50,000
Earthquake	1,000,000	5.00%
Crime	50,000	500
General liability	1,000,000	none
Employee benefits liability	1,000,000	1,000
Employer's (OH stop gap) liability	1,000,000	none
School leaders errors & omissions	1,000,000	2,500
Sexual misconduct & molestation	1,000,000	none
Law enforcement	1,000,000	2,500
Fleet policy	1,000,000	none to 500
Umbrella policy	7,000,000	none
Boiler & machinery	30,000,000	1,000 / 24hrs.

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 the Ohio School Boards Association Workers' Compensation Group Rating Plan, a public entity currently operating as a common risk management and insurance program for workers' compensation. The District pays an annual premium to the pool for its workers compensation coverage. See Note 14 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, 2009  
(Continued)

**NOTE 9 - 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 \$200,000 and aggregate claims in excess of 120 percent of expected claims.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Sick Leave**

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract. Sick leave is cumulative to two hundred sixty-five (265) 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 1/4 (.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 (45) days at the employee's per diem rate and from the forty-sixth (46) day on, the employee shall be paid at ten percent (10%) 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 1/4 (.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 1/4 (.25) and then that number will be multiplied by the daily rate the administrator/supervisor is

**PORT CLINTON CITY SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)**

currently receiving to determine the total severance pay. Daily rate will be determined by dividing the total administrative salary plus longevity by 184 days.

**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.

**NOTE 11 - 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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

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 to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$285,551, \$289,550, and \$317,189, respectively; 48.08 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**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 website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2009, 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.

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 11 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$1,182,270, \$1,129,674, and \$1,167,069, respectively; 83.56 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$2,954 made by the District and \$13,487 made by the plan members.

**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, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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, 2009, 2008, and 2007, were \$174,608, \$132,131, and \$105,307, respectively; 48.41 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 12 - 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 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$23,560, \$20,863, and \$21,569, respectively; 48.41 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**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](http://www.strsoh.org) 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 2009, 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, 2009, 2008, and 2007, were \$90,944, \$149,053, and \$164,892, respectively; 83.56 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2009 were as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

<b><u>Governmental activities:</u></b>	<u>Balance at</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u>	<u>Amount</u>
	<u>06/30/08</u>			<u>06/30/09</u>	<u>Due in</u>
					<u>One Year</u>
<u>General obligation bonds</u>					
Current interest bonds	\$ 1,345,000	\$ -	\$ -	\$ 1,345,000	\$ 585,000
Capital appreciation bonds	314,994	-	(314,994)	-	-
Accreted interest	<u>317,983</u>	<u>37,023</u>	<u>(355,006)</u>	-	-
Total general obligation bonds	<u>1,977,977</u>	<u>37,023</u>	<u>(670,000)</u>	<u>1,345,000</u>	<u>585,000</u>
Energy conservation notes	859,400	-	(94,000)	765,400	94,000
Compensated absences	<u>1,446,447</u>	<u>352,886</u>	<u>(232,316)</u>	<u>1,567,017</u>	<u>321,852</u>
Total	<u>\$ 4,283,824</u>	<u>\$ 389,909</u>	<u>\$ (996,316)</u>	3,677,417	<u>\$ 1,000,852</u>
Unamortized premium on bonds				107,502	
Deferred loss on advance refunding				<u>(73,454)</u>	
Total other long-term obligations				<u>\$ 3,711,465</u>	

The general obligation bonds and energy conservation notes are funded from property tax revenues in, and will be paid out of, the bond retirement debt service fund (a nonmajor governmental fund).

Compensated absences will be paid out of the fund from which the employee is paid, which for the District is primarily the general fund.

*2003 School Improvement Refunding General Obligation Bonds:* 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.

These refunding bonds were issued with a premium of \$286,673, which is reported as an increase to the bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2009 was \$35,835.

The issuance costs of \$90,796 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2009 was \$11,348. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$195,877. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2009 was \$24,483.

The capital appreciation bonds mature December 1, 2008. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

is reflected as principal liability. The maturity amount of the bonds is \$670,000. For fiscal year 2009, the accretion amount was \$37,023.

*2002 Energy Conservation Notes:* The School District issued \$1,376,400 in House Bill 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.

As of June 30, 2009, principal and interest requirements to retire general obligation bonds and energy conservation notes are:

Fiscal Year	General Obligation Bonds			Energy Conservation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 585,000	\$ 30,945	\$ 615,945	\$ 94,000	\$ 33,145	\$ 127,145
2011	600,000	14,190	614,190	94,000	28,970	122,970
2012	160,000	2,520	162,520	94,000	24,797	118,797
2013	-	-	-	94,000	20,616	114,616
2014	-	-	-	94,000	16,450	110,450
2015 - 2017	-	-	-	295,400	23,887	319,287
Total	<u>\$ 1,345,000</u>	<u>\$ 47,655</u>	<u>\$ 1,392,655</u>	<u>\$ 765,400</u>	<u>\$ 147,865</u>	<u>\$ 913,265</u>

*Legal Debt Margins:* 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, 2009 are a legal voted debt margin of \$52,500,876, a legal unvoted debt margin of \$579,970, and a legal energy conservation debt margin of \$4,454,328.

**NOTE 14 - PUBLIC ENTITY RISK POOLS**

**A. Insurance Purchasing Pool**

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio Association of School Business

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 14 - PUBLIC ENTITY RISK POOLS – (Continued)**

Officials. The Executive Director of the OASBO, or his designee, serves as coordinator of the Program. 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 Gates, McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**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 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Bay Area Council of Governments**

The Bay Area Council of Governments is a jointly governed organization. Members of the organization consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments is natural gas and insurance. The only cost to the district is an administrative charge if they participate in purchasing through the council. The Bay Area Council of Governments consists of the superintendent of each school district. The Board of Directors of the Bay Area Council of Governments consists of one elected representative of each county and the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, EHOESC Treasurer, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**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, Jay Valasek, Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420.

**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. Financial information can be obtained by contacting Betty Schwiefert, EHOESC Treasurer, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**NOTE 16 - 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 17 - SET-ASIDE REQUIREMENTS**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2009, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 17 - SET-ASIDE REQUIREMENTS – (Continued)**

The following cash basis information describes the change in the fiscal year end set aside amounts for instructional materials, capital maintenance, and BWC refunds. Disclosure of this information is required by State statute.

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2008	\$ (1,368,435)	\$ -	\$ 86,386
Current year set-aside requirement	268,209	268,209	-
Current year offsets	-	(534,000)	-
Qualifying expenditures	<u>(568,342)</u>	<u>(147,925)</u>	<u>(86,386)</u>
Total	<u>\$ (1,668,568)</u>	<u>\$ (413,716)</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2010	<u>\$ (1,668,568)</u>	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying expenditures during the fiscal year that reduced the instructional materials set-aside amount below zero. Although the District had qualifying expenditures during the fiscal year that reduced the set-aside amount below zero for the capital maintenance set-aside, this amount may not be used to reduce the set-aside requirement for future years.

There are no restricted assets as of June 30, 2009.

**NOTE 18 - 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, 2009.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)

**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget (non-GAAP basis) and actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis); and,
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

	<u>General fund</u>
Budget basis	\$ 470,684
Net adjustment for revenue accruals	199,370
Net adjustment for expenditure accruals	(94,721)
Net adjustment for other financing sources/uses	(2,916)
Adjustment for encumbrances	<u>288,906</u>
GAAP basis	<u>\$ 861,323</u>

**NOTE 20 – SUBSEQUENT EVENT**

In February of 2010, the District sold General Obligation Bonds of \$42,000,000 for the purpose of constructing, renovating, remodeling, adding to, furnishing, equipping and otherwise improving School District buildings and facilities and acquiring, clearing and improving other 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.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through the Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	54,062	54,062
National School Lunch Program	10.555		
Cash Assistance		284,173	284,173
Non-cash Assistance (Food Distribution)		37,444	37,444
Total - National School Lunch Program		<u>321,617</u>	<u>321,617</u>
Total United States Department of Agriculture		<u><b>375,679</b></u>	<u><b>375,679</b></u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed through the Ohio Department of Education</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	403,471	411,505
<i>Passed through North Point Educational Service Center</i>			
Special Education - Preschool Grants	84.173	12,216	12,216
Total - Special Education Cluster		<u>415,687</u>	<u>423,721</u>
<i>Passed through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	311,169	328,432
Safe and Drug Free Schools and Communities - State Grants	84.186	6,632	6,632
State Grants for Innovative Programs	84.298	3,084	1,413
Education Technology State Grants	84.318	3,335	2,393
Improving Teacher Quality State Grants	84.367	109,796	87,045
Total United States Department of Education		<u><b>849,703</b></u>	<u><b>849,636</b></u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Medical Assistance	93.778	8,547	
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u><u><b>\$ 1,233,929</b></u></u>	<u><u><b>\$ 1,225,315</b></u></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  
FISCAL YEAR ENDED JUNE 30, 2009**

**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 fair value. The District allocated donated food commodities to the respective 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.

**NOTE E – MEDICAID COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS)**

The District received \$8,547 of CAFS settlement in fiscal year 2009. The amount received relates to settlements for CAFS service provided during prior years.

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# Mary Taylor, CPA

Auditor of State

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

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, the major fund, and the aggregate remaining fund information of the Port Clinton City School District, Ottawa County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated April 9, 2010.

#### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 9, 2010



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 the Port Clinton City School District, Ottawa County (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 apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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 express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the Port Clinton City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

### 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 in order to

determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 9, 2010

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2009-001**

**Significant Deficiency**

**Financial Reporting**

Sound financial reporting is the responsibility of the Treasurer's Office and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the June 30, 2009, financial statements:

1. Adjustments were made to increase capital assets by \$5,064,668, increase accumulated depreciation by \$5,220,263, decrease operation and maintenance by \$1,280, decrease pupil transportation by \$16,889, increase regular instruction by \$134,648, increase non-instructional services by \$39,116, and increase net assets invested in capital assets net of related debt and decrease net assets unrestricted by \$609,805 each to correct the calculation of capital assets to agree to supporting documents at June 30, 2009.
2. Adjustments were made to decrease other local revenue and increase charges for service for remaining fund information and decrease general revenue miscellaneous and increase charge for services sale for statement of activities in the amount of \$93,498 each to correct the presentation of revenue from Champions for Children after school program.
3. Adjustments were made to decrease Restricted for Bureau of Worker's Compensation refund and increase unrestricted by \$86,386 each and decrease Reserved for Bureau of Worker's Compensation refund and increase unreserved/undesignated General fund by \$86,386 each to eliminate the Bureau of Worker's Compensation refund which had been totally expended during fiscal year 2009.

The Treasurer should review the adjustments identified above to ensure similar errors are not reported on the financial statements in subsequent years. In addition, the District should adopt policies and procedures, including a final review of the financial statements and note disclosures by the Treasurer and Board to identify and correct errors and omissions.

**Officials Response:**

While we agree with the adjustments as listed, we would like to note the numbers reported were compiled by our GAAP conversion company. We changed companies this year and the new company did not pick up the same information and record it the same way as our last company. The new company now has been informed of these adjustments and they will be corrected going forward.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Adjustments to the financial statements	No	Partially Corrected – Repeat as Finding 2009-001 in this report.
2008-002	Cash reconciliation was not accurate	Yes	
2008-003	Capital Assets accounting needed improvements.	No	Significant improvement made reducing this to a management letter recommendation.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 8, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

The District's policy included a requirement that school administrators notify parents or guardians of any student involved in a prohibited incident be notified, but did not note, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571.20 U.S.C. 1232g, as amended, have access to any written reports pertaining to the prohibited incident;

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

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

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



**Mary Taylor, CPA**  
Auditor of State

April 9, 2010



**Mary Taylor, CPA**  
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  
MAY 6, 2010**