

Dave Yost • Auditor of State

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Clinton City School District, Ottawa County, Ohio (the District), as of and for the year ended June 30, 2010, 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, each major fund, and the aggregate remaining fund information of Port Clinton City School District, Ottawa County, Ohio, as of June 30, 2010, 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 February 10, 2011, 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

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Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 10, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities increased \$2,165,150 which represents an 18.77% increase from 2009.
- General revenues accounted for \$22,161,680 in revenue or 87.96% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,032,114 or 12.04% of total revenues of \$25,193,794.
- The District had \$23,028,644 in expenses related to governmental activities; only \$3,032,114 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$22,161,680 were adequate to provide for these programs.
- The District's major governmental funds were the general fund, the bond retirement fund and the building fund. The general fund had \$20,215,521 in revenues and \$19,110,995 in expenditures and other financing uses. During fiscal 2010, the general fund's fund balance increased \$1,104,526 from a balance of \$7,306,490 to a balance of \$8,411,016.
- The bond retirement fund had \$2,259,802 in revenues and other financing sources and \$1,728,498 in expenditures. During fiscal 2010, the bond retirement fund's fund balance increased \$531,304 from a balance of \$1,648,592 to a balance of \$2,179,896.
- The building fund had \$42,049,685 in revenues and other financing sources and \$731,726 in expenditures. During fiscal 2010, the building fund's fund balance increased \$41,317,959 from a balance of zero to a balance of \$41,317,959.

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, bond retirement and building funds are the most significant funds and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 2010?" 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 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 funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund and the building fund.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

The District as a Whole

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

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 71,228,539	\$ 25,389,031
Capital assets	<u>4,349,210</u>	<u>3,396,780</u>
Total assets	<u>75,577,749</u>	<u>28,785,811</u>
<u>Liabilities</u>		
Current liabilities	16,043,563	13,540,646
Long-term liabilities	<u>45,835,336</u>	<u>3,711,465</u>
Total liabilities	<u>61,878,899</u>	<u>17,252,111</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,736,917	2,017,729
Restricted	4,045,218	3,642,049
Unrestricted	<u>7,916,715</u>	<u>5,873,922</u>
Total net assets	<u>\$ 13,698,850</u>	<u>\$ 11,533,700</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$13,698,850.

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

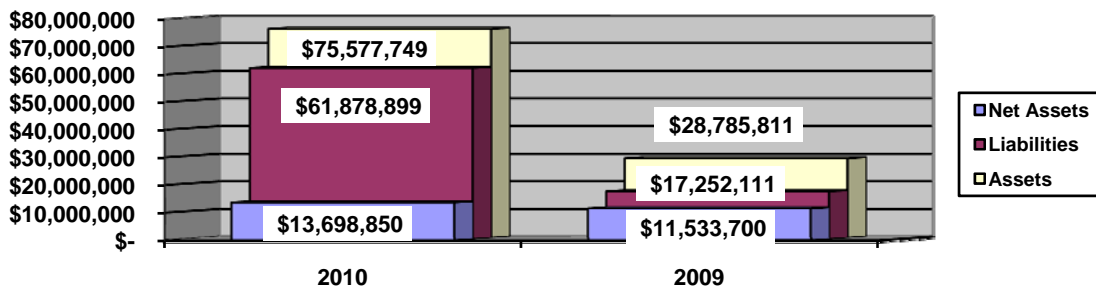
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At year-end, capital assets represented 5.75% of total assets. Capital assets include land, construction in progress buildings and improvements, furniture, equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$1,736,917. 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, \$4,045,218, represents resources that are subject to external restriction on how they may be used.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2010 and 2009.

Governmental Activities



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Revenues		
Program revenues:		
Charges for services and sales	\$ 899,767	\$ 1,129,801
Operating grants and contributions	2,132,347	1,541,579
Capital grants and contributions		91,342
General revenues:		
Taxes	15,089,930	14,054,441
Grants and entitlements	6,771,726	6,425,300
Investment earnings	293,641	441,072
Other	6,383	37,671
Total revenues	\$ 25,193,794	\$ 23,721,206

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,284,295	\$ 9,201,057
Special	2,221,024	2,407,883
Vocational	166,190	127,244
Other	872,589	747,127
Support services:		
Pupil	2,022,713	1,914,937
Instructional staff	419,972	446,391
Board of education	19,185	20,045
Administration	1,430,217	1,410,505
Fiscal	704,568	679,303
Operation and maintenance	2,445,236	2,365,063
Pupil transportation	1,063,958	1,197,289
Central	150,098	173,933
Operation of non-instructional services	186,220	169,396
Food service operations	723,166	692,243
Extracurricular activities	617,987	585,067
Interest and fiscal charges	<u>701,226</u>	<u>112,024</u>
Total expenses	<u>23,028,644</u>	<u>22,249,507</u>
Change in net assets	2,165,150	1,471,699
Net assets, beginning of year	<u>11,533,700</u>	<u>10,062,001</u>
Net assets, end of year	<u>\$ 13,698,850</u>	<u>\$ 11,533,700</u>

Governmental Activities

Net assets of the District's governmental activities increased \$2,165,150. The majority of the increase in net assets can be attributed to the District receiving new tax revenue for the recently passed bond issue and the additional collection of Federal Stabilization and American Recovery and Reinvestment Act (ARRA) monies in the operating grants and contributions line item. Total governmental expenses of \$23,028,644 were offset by program revenues of \$3,032,114 and general revenues of \$22,161,680. Program revenues supported 13.17% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 86.77% of total governmental revenue. Real estate property is reappraised every six years.

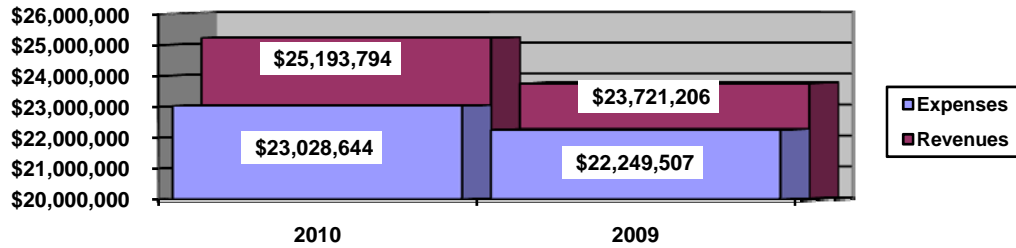
The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,544,098 or 54.47% of total governmental expenses for fiscal 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

Governmental Activities - Revenues and Expenses



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>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program expenses				
Instruction:				
Regular	\$ 9,284,295	\$ 8,642,755	\$ 9,201,057	\$ 8,343,142
Special	2,221,024	1,589,123	2,407,883	1,857,994
Vocational	166,190	166,190	127,244	127,244
Other	872,589	872,276	747,127	746,379
Support services:				
Pupil	2,022,713	1,712,824	1,914,937	1,699,440
Instructional staff	419,972	419,067	446,391	443,379
Board of education	19,185	19,185	20,045	20,045
Administration	1,430,217	1,358,903	1,410,505	1,371,398
Fiscal	704,568	704,568	679,303	650,284
Operations and maintenance	2,445,236	2,432,564	2,365,063	2,365,063
Pupil transportation	1,063,958	824,108	1,197,289	1,134,624
Central	150,098	78,434	173,933	92,656
Operations of non-instructional services	186,220	71,480	169,396	72,385
Food service operations	723,166	(6,758)	692,243	40,205
Extracurricular activities	617,987	410,585	585,067	410,523
Interest and fiscal charges	701,226	701,226	112,024	112,024
Total expenses	<u>\$ 23,028,644</u>	<u>\$ 19,996,530</u>	<u>\$ 22,249,507</u>	<u>\$ 19,486,785</u>

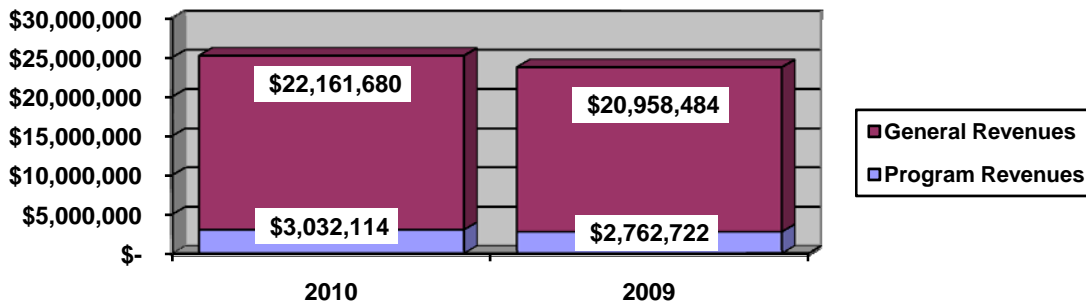
**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent, 89.85% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.83%. 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 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$53,809,102, which is higher than last year's total of \$43,035,293. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase
General	\$ 8,411,016	\$ 7,306,490	\$ 1,104,526
Bond retirement	2,179,896	1,648,592	531,304
Building	41,317,959	-	41,317,959
Other governmental	1,900,231	1,818,727	81,504
Total	\$ 53,809,102	\$ 10,773,809	\$ 43,035,293

General Fund

The District's general fund balance increased \$1,104,526. Revenues exceeded expenditures by \$1,465,695 in fiscal 2010. The District was able to decrease expenditures from fiscal 2009 to fiscal 2010, primarily due to cost controls for wage and health benefit costs for the District. The District was unable to increase tax revenues from fiscal 2009 to fiscal 2010, but did have 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 (see Note 6).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 13,178,366	\$ 13,403,623	(1.68) %
Tuition	310,050	304,935	1.68 %
Earnings on investments	219,200	338,759	(35.29) %
Intergovernmental	6,491,683	6,425,300	1.03 %
Other revenues	<u>16,222</u>	<u>54,976</u>	(70.49) %
Total	<u>\$ 20,215,521</u>	<u>\$ 20,527,593</u>	(1.52) %
<u>Expenditures</u>			
Instruction	\$ 11,007,661	\$ 11,068,142	(0.55) %
Support services	7,285,454	7,726,168	(5.70) %
Operation of non-instructional services	50,867	24,531	107.36 %
Extracurricular activities	378,635	371,787	1.84 %
Facilities acquisition and construction	<u>27,209</u>	<u>63,672</u>	(57.27) %
Total	<u>\$ 18,749,826</u>	<u>\$ 19,254,300</u>	(2.62) %

The 35.29% decrease in earnings on investments was a result of lower interest bearing accounts held by the District during the year. Other revenues decreased 70.49% due to decreased rental income and classroom materials and fees income. All other revenues remained comparable to prior years.

The 107.36% increase of operations of non-instructional services is a result of the new cops in school program throughout the district. Facilities acquisition and construction decreased 57.27% due to construction expenses being paid out of other funds. All other expenditures remained comparable to prior years.

Bond Retirement Fund

The bond retirement fund had \$2,259,802 in revenues and other financing sources and \$1,728,498 in expenditures. During fiscal 2010, the bond retirement fund's fund balance increased \$531,304 from a balance of \$1,648,592 to a balance of \$2,179,896. This increase can be attributed to the District receiving new tax revenue for the recently passed tax levy for the bond issue.

Building Fund

The building fund had \$42,049,685 in revenues and other financing sources and \$731,726 in expenditures. During fiscal 2010, the building fund's fund balance increased \$41,317,959 from a balance of zero to a balance of \$41,317,959. This increase is due to the sale of bonds for the District's building project.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

For the general fund, final budgeted revenues and other financing sources were \$20,188,314, which was equal to the original budget estimate. Actual revenues and other financing sources for fiscal 2010 was \$19,992,620. This represents a \$195,694 decrease over final budgeted revenues. General fund original appropriations (appropriated expenditures plus other financing uses) of \$21,288,906 were the same in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$19,273,042, which was \$2,015,864 less than the final budget appropriations. Regular instruction actual expenditures were less than amount appropriated due to the retirement of several teachers. Special instruction and operations and maintenance accounts actual expenditures were less than appropriated due to actual expenditures being less than anticipated. Transfers Out appropriations were an estimate from the prior year, this year not as many transfers were needed.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$4,349,210 invested in land, construction in progress, buildings and improvements, furniture, equipment and vehicles, net of accumulated depreciation. This entire amount is reported in governmental activities.

The following table shows fiscal 2010 balances compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 58,517	\$ 58,517
Construction in progress	731,280	
Building and improvements	2,737,777	2,715,384
Furniture, equipment and vehicles	821,636	622,879
Total	<u>\$ 4,349,210</u>	<u>\$ 3,396,780</u>

Total additions to capital assets for 2010 were \$1,349,775. The overall increase in capital assets of \$952,430 is primarily due to additions exceeding the recording of \$315,786 in depreciation expense and disposals of \$81,559 (net of accumulated depreciation) for fiscal 2010.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2010, the District had \$43,434,637 in general obligation bonds and energy conservation notes outstanding. Of this total, \$694,000 is due within one year and \$42,740,637 is due in greater than one year. The following table summarizes the loans and lease obligations outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Outstanding Debt, at Year End

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
General obligation bonds	\$ 42,763,237	\$ 1,345,000
Energy conservation notes	<u>671,400</u>	<u>765,400</u>
Total	<u>\$ 43,434,637</u>	<u>\$ 2,110,400</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

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 2009 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.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 53,867,775
Receivables:	
Taxes	16,487,034
Accounts	202
Intergovernmental	177,528
Accrued interest	164,859
Prepayments	19,528
Materials and supplies inventory	13,580
Unamortized bond issue costs	498,033
Capital assets:	
Land and construction in progress	789,797
Depreciable capital assets, net	3,559,413
Capital assets, net	4,349,210
 Total assets	 75,577,749
Liabilities:	
Accounts payable	45,863
Contracts payable	48,420
Accrued wages and benefits	1,479,871
Pension obligation payable	526,120
Intergovernmental payable	113,913
Accrued interest payable	156,067
Unearned revenue	13,673,309
Long-term liabilities:	
Due within one year	998,173
Due in more than one year	44,837,163
Total liabilities	61,878,899
Net Assets:	
Invested in capital assets, net of related debt	1,736,917
Restricted for:	
Capital projects	967,936
Severance payments	771,130
Debt service	2,060,987
Locally funded programs	9,192
State funded programs	59,538
Federally funded programs	36,176
Public school support	49,591
Student activities	29,739
Other purposes	60,929
Unrestricted	7,916,715
Total net assets	\$ 13,698,850

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, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total	
Governmental activities:				
Instruction:				
Regular	\$ 9,284,295	\$ 393,028	\$ 248,512	\$ (8,642,755)
Special	2,221,024	23,402	608,499	(1,589,123)
Vocational	166,190			(166,190)
Other	872,589		313	(872,276)
Support services:				
Pupil	2,022,713	19,621	290,268	(1,712,824)
Instructional staff	419,972		905	(419,067)
Board of education	19,185			(19,185)
Administration	1,430,217	21,174	50,140	(1,358,903)
Fiscal	704,568			(704,568)
Operations and maintenance	2,445,236	9,540	3,132	(2,432,564)
Pupil transportation	1,063,958		239,850	(824,108)
Central	150,098		71,664	(78,434)
Operation of non-instructional services:				
Other non-instructional services	186,220	1,887	112,853	(71,480)
Food service operations	723,166	274,990	454,934	6,758
Extracurricular activities	617,987	156,125	51,277	(410,585)
Interest and fiscal charges	701,226			(701,226)
Totals	\$ 23,028,644	\$ 899,767	\$ 2,132,347	(19,996,530)
 General Revenues:				
Property taxes levied for:				
General purposes				13,111,931
Debt service				1,429,155
Capital projects				548,844
Grants and entitlements not restricted to specific programs				6,771,726
Investment earnings				293,641
Miscellaneous				6,383
Total general revenues				22,161,680
Change in net assets				2,165,150
Net assets at beginning of year				11,533,700
Net assets at end of year				\$ 13,698,850

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments.	\$ 8,440,414	\$ 1,893,965	\$ 41,366,825	\$ 2,166,571	\$ 53,867,775
Receivables:					
Taxes	13,396,465	2,487,498		603,071	16,487,034
Accounts	202				202
Intergovernmental.	9,307			168,221	177,528
Accrued interest.	122,076		42,783		164,859
Interfund loan	25,000				25,000
Loans to other funds.	50,863				50,863
Due from other funds	2,910				2,910
Prepayments.	19,528				19,528
Materials and supplies inventory.				13,580	13,580
Total assets	<u>\$ 22,066,765</u>	<u>\$ 4,381,463</u>	<u>\$ 41,409,608</u>	<u>\$ 2,951,443</u>	<u>\$ 70,809,279</u>
Liabilities:					
Accounts payable	\$ 19,650			\$ 26,213	\$ 45,863
Contracts payable.			48,420		48,420
Accrued wages and benefits.	1,379,905			99,966	1,479,871
Compensated absences payable				125,916	125,916
Early retirement incentive payable				52,211	52,211
Pension obligation payable	473,134			52,986	526,120
Intergovernmental payable	105,436		446	8,031	113,913
Interfund loan payable.				25,000	25,000
Loans from other funds				50,863	50,863
Due to other funds				2,910	2,910
Deferred revenue	689,958	37,158	42,783	85,882	855,781
Unearned revenue.	10,987,666	2,164,409		521,234	13,673,309
Total liabilities.	<u>13,655,749</u>	<u>2,201,567</u>	<u>91,649</u>	<u>1,051,212</u>	<u>17,000,177</u>
Fund Balances:					
Reserved for encumbrances	149,352		135,896	94,776	380,024
Reserved for supplies inventory				13,580	13,580
Reserved for tax revenue unavailable for appropriation	1,812,334	285,931		78,766	2,177,031
Reserved for prepayments.	19,528				19,528
Reserved for loans.	50,863				50,863
Unreserved:					
Designated for termination benefits				771,130	771,130
Undesignated, reported in:					
General fund.	6,378,939				6,378,939
Special revenue funds				155,219	155,219
Debt service fund		1,893,965			1,893,965
Capital projects funds			41,182,063	786,760	41,968,823
Total fund balances	<u>8,411,016</u>	<u>2,179,896</u>	<u>41,317,959</u>	<u>1,900,231</u>	<u>53,809,102</u>
Total liabilities and fund balances	<u>\$ 22,066,765</u>	<u>\$ 4,381,463</u>	<u>\$ 41,409,608</u>	<u>\$ 2,951,443</u>	<u>\$ 70,809,279</u>

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, 2010

Total governmental fund balances		\$	53,809,102
<i>Amounts reported for governmental activities on 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.			4,349,210
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	636,694	
Intergovernmental receivable		92,118	
Accrued interest receivable		126,969	
Total			855,781
Unamortized deferred charges on refundings are not recognized in the funds.			48,969
Unamortized bond issuance costs are not recognized in the funds.			498,033
Unamortized premiums on bond issuances are not recognized in the funds.			(547,002)
Accrued interest is not due and payable in the current period and therefore is not reported in the funds.			(156,067)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable		42,763,237	
Early retirement incentive payable		62,784	
Energy conservation notes payable		671,400	
Compensated absences payable		1,661,755	
Total			(45,159,176)
Net assets of governmental activities		\$	13,698,850

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, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 13,178,366	\$ 1,391,997		\$ 550,334	\$ 15,120,697
Tuition	310,050				310,050
Earnings on investments	219,200		49,785	54	269,039
Charges for services				274,990	274,990
Extracurricular				153,978	153,978
Classroom materials and fees	763			51,346	52,109
Rental income	9,076			464	9,540
Contributions and donations				43,058	43,058
Other local revenues	6,383			114,240	120,623
Intergovernmental - intermediate				25,200	25,200
Intergovernmental - State	6,490,224	119,104		272,733	6,882,061
Intergovernmental - Federal	1,459	144,661		1,760,125	1,906,245
Total revenue	<u>20,215,521</u>	<u>1,655,762</u>	<u>49,785</u>	<u>3,246,522</u>	<u>25,167,590</u>
Expenditures:					
Current:					
Instruction:					
Regular	8,359,471			575,553	8,935,024
Special	1,610,882			548,985	2,159,867
Vocational	165,387				165,387
Other	871,921			668	872,589
Support services:					
Pupil	1,704,144			302,040	2,006,184
Instructional staff	433,902			12,239	446,141
Board of education	19,185				19,185
Administration	1,297,247			76,633	1,373,880
Fiscal	667,667	21,754		10,168	699,589
Operations and maintenance	2,118,477			114,748	2,233,225
Pupil transportation	947,924			341,739	1,289,663
Central	96,908			53,190	150,098
Operation of non-instructional services:					
Other non-instructional services	50,867			113,386	164,253
Food service operations				724,267	724,267
Extracurricular activities	378,635			239,352	617,987
Facilities acquisition and construction	27,209		731,726	289,556	1,048,491
Debt service:					
Principal retirement		679,000			679,000
Interest and fiscal charges		547,367			547,367
Bond issuance costs		480,377			480,377
Total expenditures	<u>18,749,826</u>	<u>1,728,498</u>	<u>731,726</u>	<u>3,402,524</u>	<u>24,612,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,465,695</u>	<u>(72,736)</u>	<u>(681,941)</u>	<u>(156,002)</u>	<u>555,016</u>
Other financing sources (uses):					
Premium on bonds sold		480,377			480,377
Sale of bonds			41,999,900		41,999,900
Transfers in		123,663		237,506	361,169
Transfers (out)	(361,169)				(361,169)
Total other financing sources (uses)	<u>(361,169)</u>	<u>604,040</u>	<u>41,999,900</u>	<u>237,506</u>	<u>42,480,277</u>
Net change in fund balances	1,104,526	531,304	41,317,959	81,504	43,035,293
Fund balances at beginning of year	<u>7,306,490</u>	<u>1,648,592</u>		<u>1,818,727</u>	<u>10,773,809</u>
Fund balances at end of year	<u>\$ 8,411,016</u>	<u>\$ 2,179,896</u>	<u>\$ 41,317,959</u>	<u>\$ 1,900,231</u>	<u>\$ 53,809,102</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, 2010

Net change in fund balances - total governmental funds \$ 43,035,293

Amounts reported for governmental activities in the statement of activities are different because:

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 exceeds depreciation expense in the current period.

Capital asset additions	\$	1,349,775	
Current year depreciation		<u>(315,786)</u>	
Total			1,033,989

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (81,559)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Tax revenue		(30,767)	
Accrued interest		24,656	
Intergovernmental revenue		<u>41,622</u>	
Total			35,511

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 679,000

The issuance of bonds is recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement of net assets. (41,999,900)

Premiums on bonds are recognized as an other financing source in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities. (480,377)

Bond issuance costs are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities. 480,377

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being recorded in the statement of activities:

Increase in accrued interest payable		(150,521)	
Accreted interest on capital appreciation bonds		(3,337)	
Amortization of bond issuance costs		(23,958)	
Amortization of bond premiums		48,442	
Amortization of deferred charges		<u>(24,485)</u>	
Total			(153,859)

Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (383,325)

Change in net assets of governmental activities \$ 2,165,150

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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 13,005,115	\$ 13,005,115	\$ 12,957,428	\$ (47,687)
Tuition	311,000	311,000	310,050	(950)
Earnings on investments	195,000	195,000	194,673	(327)
Classroom materials and fees			741	741
Rental income	10,000	10,000	9,076	(924)
Other local revenues	7,000	7,000	6,255	(745)
Intergovernmental - state	6,631,699	6,631,699	6,490,224	(141,475)
Intergovernmental - federal	3,000	3,000	1,459	(1,541)
Total revenue	<u>20,162,814</u>	<u>20,162,814</u>	<u>19,969,906</u>	<u>(192,908)</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,109,534	9,109,534	8,381,676	727,858
Special	1,876,712	1,876,712	1,598,172	278,540
Vocational	165,398	165,398	164,378	1,020
Other	876,324	876,324	873,841	2,483
Support services:				
Pupil	1,701,359	1,701,359	1,692,939	8,420
Instructional staff	456,519	456,519	452,784	3,735
Board of education	22,772	22,772	18,117	4,655
Administration	1,323,198	1,323,198	1,323,005	193
Fiscal	668,536	668,536	667,666	870
Operations and maintenance	2,807,962	2,807,962	2,181,130	626,832
Pupil transportation	938,101	938,101	937,110	991
Central	97,000	97,000	96,402	598
Operation of non-instructional services:				
Other non-instructional services	55,000	55,000	50,867	4,133
Extracurricular activities	388,076	388,076	374,179	13,897
Facilities acquisition and construction	77,351	77,351	74,607	2,744
Total expenditures	<u>20,563,842</u>	<u>20,563,842</u>	<u>18,886,873</u>	<u>1,676,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(401,028)</u>	<u>(401,028)</u>	<u>1,083,033</u>	<u>1,484,061</u>
Other financing sources (uses):				
Refund of prior year's expenditures	500	500	208	(292)
Transfers (out)	(700,064)	(700,064)	(361,169)	338,895
Advances in	25,000	25,000	22,506	(2,494)
Advances (out)	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	<u>(699,564)</u>	<u>(699,564)</u>	<u>(363,455)</u>	<u>336,109</u>
Net change in fund balance	(1,100,592)	(1,100,592)	719,578	1,820,170
Fund balance at beginning of year	7,221,341	7,221,341	7,221,341	
Prior year encumbrances appropriated	288,906	288,906	288,906	
Fund balance at end of year	<u>\$ 6,409,655</u>	<u>\$ 6,409,655</u>	<u>\$ 8,229,825</u>	<u>\$ 1,820,170</u>

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, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and investments	\$ 13,703	\$ 75,356
Receivables:		
Taxes		609,213
Total assets.	13,703	\$ 684,569
Liabilities:		
Accounts payable.		\$ 350
Intergovernmental payable		609,213
Due to students.		75,006
Total liabilities		\$ 684,569
Net assets:		
Held in trust for scholarships	13,703	
Total net assets	\$ 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 FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Net assets at beginning of year	\$ 13,703
Net assets at end of year.	<u>\$ 13,703</u>

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, 2010

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 130 certified full-time teaching personnel, 100 classified employees, and 13 administrators that provide services to 1,793 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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, 2010

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 are the District's major governmental funds:

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, 2010

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

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

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

The other governmental funds of the District account for (a) grants and other resources whose use is restricted to a particular purpose; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities not already accounted for in the building fund; and (c) food service operations.

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 and the Ida Rupp public library.

C. Basis of Presentation

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as unearned 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.

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 purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Ottawa County Budget Commission for rate determination.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 2010.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

During fiscal year 2010, investments were limited to federal securities and the State Treasury Asset Reserve of Ohio (STAR Ohio), money market accounts, negotiable and non-negotiable 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 nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$219,200, which includes \$73,684 assigned from other District funds.

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, 2010, 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, 2010, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

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. During the fiscal year, the District increased the capitalization threshold from five-thousand dollars to ten-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 and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. In fiscal year 2010, 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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

N. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans and cash deficits are classified as "interfund loan receivable/payable" and "due to/from other funds, respectively, receivables and payables resulting from long-term interfund loans are classified as "loans to/from other funds". These amounts are eliminated in the governmental columns of the statement of net assets.

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 sick leave 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 sick leave on employees expected to become eligible to retire in the future, all classified and non-classified employees who are any age with ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

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, supplies inventory, tax revenue unavailable for appropriation, prepayments and loans.

The reserve for tax revenue unavailable for appropriation 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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, 2010, 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 2010.

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 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Food service	\$ 43,224
IDEA Part-B grants	8,434
Drug-free school grant	44

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

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that the Board of Education 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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 may be deposited or invested in the following securities:

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the

United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During fiscal year 2010, the District and public depositories complied with the provisions of these statutes.

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

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

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

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.

A. Deposits with Financial Institutions

At fiscal year end, the carrying amount of the District's deposits (excluding petty cash on hand of \$5,870) was \$51,383,264 and the bank balance was \$51,933,007. Of the bank balance, \$29,360,763 was covered by the FDIC and \$22,572,244 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>19 to 24 Months</u>
FHLMC	\$ 457,758		\$ 457,758	
FFCB	2,011,260			\$ 2,011,260
STAR Ohio	<u>98,682</u>	<u>\$ 98,682</u>		
Total	<u>\$2,567,700</u>	<u>\$ 98,682</u>	<u>\$ 457,758</u>	<u>\$ 2,011,260</u>

The weighted average maturity of investments is 1.56 years.

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

Credit risk: The Districts' investments in FHLMC and FFCB were rated AAA and Aaa by Standard & Poor's Investor Services and Moody's, Investor Services, respectively. STAR Ohio has been given an AAAM rating by Standard & Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 and the Federal Farm Credit Banks 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 District's name. The District has no investment policy dealing with investment custodial credit 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."

Concentration of credit risk: The District's investment policy is to be diversified in its holding of investments by avoiding concentrations of specific users. The following table includes the percentage total of each investment type held by the District at June 30, 2010:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
FHLMC	\$ 457,758	17.83
FFCB	2,011,260	78.33
STAR Ohio	<u>98,682</u>	<u>3.84</u>
Total	<u>\$ 2,567,700</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	51,383,264
Investments		2,567,700
Cash on hand		<u>5,870</u>
Total	\$	<u>53,956,834</u>

<u>Cash and investments per statement of net assets</u>		
Governmental activities	\$	53,867,775
Private-purpose trust funds		13,703
Agency fund		<u>75,356</u>
Total	\$	<u>53,956,834</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Loans To/From Other Funds

Loans to/from other funds at June 30, 2010 consisted of the following, as reported in the fund financial statements:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Interfund Loans Receivable/Payable

Interfund loans receivable/payable at June 30, 2010 consisted of the following, as reported in the fund financial statements:

<u>Interfund loans receivable reported in the general fund:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 25,000
Total	<u>\$ 25,000</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 receivable/payable 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, 2010 consisted of the following, as reported in the fund financial statements:

<u>Transfers out reported in the general fund:</u>	<u>Amount</u>
Bond retirement fund	\$ 123,663
Nonmajor governmental funds	<u>237,506</u>
Total	<u>\$ 361,169</u>

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the statement of activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- D. Interfund balances for the year ended June 30, 2010, consisted of the following due to/from other funds, as reported on the fund financial statements:

	Due from other funds	Due to other funds
General fund	\$ 2,910	
Nonmajor governmental funds:		
Public school preschool		\$ 2,910
Total	\$ 2,910	\$ 2,910

The primary purpose of the interfund balances is to cover negative cash balances in the nonmajor governmental funds. These negative cash balances are allowable under Ohio Revised Code Section 3315.20. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$1,812,334 in the general fund, \$285,931 in the bond retirement fund and \$78,766 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,591,396 in the general fund and \$67,842 in the permanent improvement 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, 2010 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 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 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 579,969,820	97.48	\$ 590,774,300	97.41
Public utility personal	14,181,130	2.38	15,290,160	2.52
Tangible personal property	<u>811,665</u>	<u>0.14</u>	<u>426,670</u>	<u>0.07</u>
Total	<u>\$ 594,962,615</u>	<u>100.00</u>	<u>\$ 606,491,130</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$60.17		\$64.70

NOTE 7 – RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (reduction of prior year expenditures and student fees), intergovernmental grants and entitlements and accrued interest. 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - RECEIVABLES-- (Continued)

Governmental activities:

Taxes	\$ 16,487,034
Accounts	202
Intergovernmental	177,528
Accrued interest	164,859
	<hr/>
Total	<u>\$ 16,829,623</u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

<u>Governmental activities:</u>	Balance <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 58,517			\$ 58,517
Construction in progress		731,280		731,280
<i>Total capital assets, not being depreciated</i>	<hr/> <u>58,517</u>	<hr/> <u>731,280</u>	<hr/> <u></u>	<hr/> <u>789,797</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	9,666,736	226,798	\$ (79,998)	9,813,536
Furniture, equipment and vehicles	2,838,978	391,697	(520,984)	2,709,691
<i>Total capital assets, being depreciated</i>	<hr/> <u>12,505,714</u>	<hr/> <u>618,495</u>	<hr/> <u>(600,982)</u>	<hr/> <u>12,523,227</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(6,951,352)	(166,334)	41,927	(7,075,759)
Furniture, equipment and vehicles	(2,216,099)	(149,452)	477,496	(1,888,055)
<i>Total accumulated depreciation</i>	<hr/> <u>(9,167,451)</u>	<hr/> <u>(315,786)</u>	<hr/> <u>519,423</u>	<hr/> <u>(8,963,814)</u>
Total capital assets, net	<hr/> <u>\$ 3,396,780</u>	<hr/> <u>\$ 1,033,989</u>	<hr/> <u>\$ (81,559)</u>	<hr/> <u>\$ 4,349,210</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 56,432
<u>Support services:</u>	
Administration	12,446
Fiscal	1,377
Operations and maintenance	147,940
Pupil transportation	78,487
Other non-instructional services	17,794
Food service operations	1,310
Total depreciation expense	<u>\$ 315,786</u>

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2010 were as follows:

	Balance			Balance	Amount
	06/30/09	Increases	Decreases	06/30/10	Due in
<u>Governmental activities:</u>					<u>One Year</u>
<u>General obligation bonds</u>					
Current interest bonds (Series 2003)	\$ 1,345,000		\$ (585,000)	\$ 760,000	\$ 600,000
Current interest bonds (Series 2010)		\$ 41,920,000		41,920,000	
Capital appreciation bonds (Series 2010)		79,900		79,900	
Accreted interest		3,337		3,337	
Total general obligation bonds	<u>1,345,000</u>	<u>42,003,237</u>	<u>(585,000)</u>	<u>42,763,237</u>	<u>600,000</u>
<u>Other long-term obligations</u>					
Energy conservation notes	765,400		(94,000)	671,400	94,000
Early retirement incentive payable		114,995		114,995	52,211
Compensated absences	1,567,017	486,733	(266,079)	1,787,671	251,962
Total	<u>\$ 3,677,417</u>	<u>\$ 42,604,965</u>	<u>\$ (945,079)</u>	<u>45,337,303</u>	<u>\$ 998,173</u>
Unamortized premium on bonds				547,002	
Deferred loss on advance refunding				(48,969)	
Total other long-term obligations				<u>\$ 45,835,336</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 fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences and early retirement incentives will be paid out of the fund from which the employee is paid which for the District is primarily the general fund.

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

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 2010 was \$35,834. 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 2010 was \$11,350. 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 2010 was \$24,485.

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

As of fiscal year end, \$41,317,040 of the bond proceeds was unspent.

These bonds were issued with a premium of \$480,377, 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 2010 was \$5,043. The issuance costs of \$480,377 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 2010 was \$5,043.

The bond issue is comprised of both current interest bonds, par value \$41,920,000, and capital appreciation bonds, par value \$79,900. The capital appreciation bonds mature December 1, 2027 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,175,000. Total accreted interest of \$3,337 has been included in the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

As of June 30, 2010, principal and interest requirements to retire general obligation bonds and energy conservation notes are:

Fiscal Year	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 600,000	\$ 1,833,640	\$ 2,433,640			
2012	1,035,000	1,815,096	2,850,096			
2013	885,000	1,798,751	2,683,751			
2014	945,000	1,784,389	2,729,389			
2015	960,000	1,769,451	2,729,451			
2016-2020	5,425,000	8,594,653	14,019,653			
2021-2025	6,565,000	8,086,945	14,651,945			
2026-2030	6,395,000	7,200,275	13,595,275	\$79,900	\$1,095,100	\$1,175,000
2031-2035	7,455,000	5,043,142	12,498,142			
2036-2040	8,505,000	2,612,928	11,117,928			
2041-2042	3,910,000	248,851	4,158,851			
	<u>\$ 42,680,000</u>	<u>\$ 40,788,121</u>	<u>\$ 83,468,121</u>	<u>\$79,900</u>	<u>\$1,095,100</u>	<u>\$1,175,000</u>

Fiscal Year	Energy Conservation Notes		
	Principal	Interest	Total
2011	\$ 94,000	\$ 28,970	\$ 122,970
2012	94,000	24,797	118,797
2013	94,000	20,616	114,616
2014	94,000	16,450	110,450
2015	96,000	12,476	108,476
2016 - 2017	199,400	11,411	210,811
Total	<u>\$ 671,400</u>	<u>\$ 114,720</u>	<u>\$ 786,120</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$13,965,797 (including available funds of \$2,179,896), an unvoted debt margin of \$606,064 and a legal energy conservation debt margin of \$4,783,180.

NOTE 10 - 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 2010, the District has entered into contracts with various insurance agencies for various insurance.

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

<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Property	\$ 64,202,717	\$ 1,000
Inland marine*		250
Flood	2,000,000	50,000
Earthquake	2,000,000	50,000
Crime	100,000	1,000
General liability**	2,000,000	none
Employee benefits liability	2,000,000	none
Employer's (OH stop gap) liability	2,000,000	none
School leaders errors & omissions**	2,000,000	5,000
Sexual misconduct & molestation**	1,000,000	none
Law enforcement	N/A	N/A
Fleet policy** ***	2,000,000	none
Umbrella policy	9,000,000	none
Boiler & machinery	50,000,000	1,000 / 24hrs.

* Inland Marine Coverages are not included under the property policy

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - RISK MANAGEMENT- (Continued)

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

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

B. Workers' Compensation

The District joined together with other governments to form a group rating program administered through Sheakley, who is a third party administrator for workers' compensation. The District pays an annual premium to the pool for its workers compensation coverage. See Note 14 for further description.

C. Employee Health Insurance

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

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Sick Leave

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

B. Service Retirement

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

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

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

C. Vacation

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

(12) month administrators:

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

Classified employees:

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

Secretaries:

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

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

D. Early Retirement Incentive

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

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

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$387,368, \$285,551 and \$289,550 respectively; 45.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,216,039, \$1,182,270 and \$1,129,674, respectively; 83.57 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$8,268 made by the District and \$5,906 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, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$59,417, \$174,608 and \$132,131, respectively; 45.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - 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 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$23,036, \$23,560 and \$20,863, respectively; 45.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 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 2010, 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, 2010, 2009, and 2008 were \$93,541, \$90,944 and \$149,053, respectively; 83.57 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - PUBLIC ENTITY RISK POOLS - (Continued)

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

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

B. Vanguard-Sentinel Joint Vocational School

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

C. Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a computer consortium. It is comprised of thirty-eight area school districts. The association was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. 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, 2010, there are no additional set-asides.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 17 - SET-ASIDE REQUIREMENTS - (Continued)

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance as of June 30, 2009	\$ (1,668,568)	
Current year set-aside requirement	274,099	\$ 274,099
Current year offsets		(41,999,900)
Qualifying expenditures	<u>(300,697)</u>	<u>(143,733)</u>
Total	<u>\$ (1,695,166)</u>	<u>\$ (41,869,534)</u>
Balance carried forward to fiscal year 2011	<u>\$ (1,695,166)</u>	<u>\$ (41,869,534)</u>

The District had qualifying expenditures and offsets during the fiscal year that reduced the set-aside amount below zero for the capital maintenance reserve. This negative amount may be used to reduce the set-aside requirement for future years, and is therefore presented as being carried forward to the next fiscal year.

The District had qualifying expenditures during the year and prior years that reduced the set-aside amount below zero for the instructional materials reserve. This negative amount may be used to reduce the set-aside requirement for futures years, and is therefore presented as being carried forward to the next fiscal year.

There are no restricted assets as of June 30, 2010.

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, 2010.

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, 2010

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).
5. Investments are reported at fair value (GAAP basis) rather than cost (budget 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	\$ 719,578
Net adjustment for revenue accruals	245,615
Net adjustment for expenditure accruals	(59,099)
Net adjustment for other financing sources/uses	2,286
Adjustment for encumbrances	<u>196,146</u>
GAAP basis	<u>\$ 1,104,526</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 20 – CONTRACTUAL COMMITMENTS

At June 30, 2010, the District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Yackee Electric Service, Inc.	Band Room/STEM Room	\$ 279,195
Wenger Corporation	Room	81,586
Edward Kelly & Sons Inc.	Renovation	889,857
Capital Aluminum & Glass Corp.	Renovation	386,400
A. T. Emmett, LLC.	High School Renovation	331,321
Total		<u>\$ 1,968,359</u>

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	71,213	71,213
National School Lunch Program	10.555		
Cash Assistance		338,208	338,208
Non-cash Assistance (Food Distribution)		35,091	35,091
Total - National School Lunch Program		<u>373,299</u>	<u>373,299</u>
Total United States Department of Agriculture		<u>444,512</u>	<u>444,512</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through the Ohio Department of Education</i>			
<u>Special Education Cluster (IDEA):</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	424,134	431,609
Special Education - Grants to States (IDEA, Part B), ARRA	84.391	220,483	197,688
<i>Passed through North Point Educational Service Center</i>			
Special Education - Preschool Grants (IDEA Preschool)	84.173	12,290	12,290
Special Education - Preschool Grants (IDEA Preschool), ARRA	84.392	14,245	4,000
Total - Special Education Cluster (IDEA)		<u>671,152</u>	<u>645,587</u>
<i>Passed through the Ohio Department of Education</i>			
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies (Title, I Part A of the ESEA)	84.010	329,034	343,645
Title I Grants to Local Educational Agencies, ARRA	84.389	10,025	5,025
Total - Title I, Part A Cluster		<u>339,059</u>	<u>348,670</u>
State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA (Education Stabilization Fund)	84.394	199,537	199,537
Safe and Drug Free Schools and Communities - State Grants	84.186	5,983	5,983
Education Technology State Grants	84.318	3,365	4,306
Improving Teacher Quality State Grants	84.367	54,373	68,614
Total United States Department of Education		<u>1,273,469</u>	<u>1,272,697</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Developmental Disabilities:</i>			
Medical Assistance	93.778	1,459	
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,719,440</u>	<u>\$ 1,717,209</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, 2010**

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 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 \$1,459 of CAFS settlement in fiscal year 2010. The amount received relates to settlements for CAFS service provided during prior years.



Dave Yost • Auditor of State

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

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

To the Board of Education

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Clinton City School District, Ottawa County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 10, 2011.

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



Dave Yost
Auditor of State

February 10, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Port Clinton City School District, Ottawa County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 10, 2011.

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



Dave Yost
Auditor of State

February 10, 2011

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<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 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs:	Title I CFDA #84.010, Title I ARRA CFDA #84.389, IDEA, Part B CFDA #84.027, IDEA Part B ARRA CFDA #84.391, IDEA Preschool CFDA #84.173, IDEA Preschool ARRA CFDA #84.392, and SFSF ARRA CFDA #84.394
<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**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material adjustments were made to the financial statements. Treasurer should review so similar adjustments not made in future.	Yes	



Dave Yost • 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 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 and adopted a modified version on November 22, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

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

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

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



Dave Yost
Auditor of State

February 10, 2011



Dave Yost • Auditor of State

PORT CLINTON CITY SCHOOL DISTRICT

OTTAWA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 15, 2011