



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Put-in-Bay Local School District, Ottawa County, Ohio (the District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the District prepared these financial statements using cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position and results of operations of Put-in-Bay Local School District, Ottawa County, Ohio, as of and for the years ended June 30, 2014 and 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 22, 2015

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Local Sources:				
Taxes	\$2,281,871	\$ 37,353	\$ 112,674	\$ 2,431,898
Tuition	135,403			135,403
Earnings on Investments	3,089	22	355	3,466
Extracurricular		4,030		4,030
Classroom Materials and Fees	1,080			1,080
Other Local	243	1,070		1,313
Intergovernmental - State	221,448	7,048	10,271	238,767
Intergovernmental - Federal		31,010		31,010
	Total Cash Receipts	80,533	123,300	2,846,967
	2,643,134			
Cash Disbursements				
Current:				
Instruction:				
Regular	1,429,290	13,713		1,443,003
Special	94,809	14,646		109,455
Support Services:				
Pupil	123,288			123,288
Instructional Staff	25,970	2,201		28,171
Board of Education	13,608			13,608
Administration	204,550			204,550
Fiscal	141,344	1,584	2,689	145,617
Operations and Maintenance	231,254			231,254
Pupil Transportation	10,289			10,289
Central		3,813		3,813
Operation of Non-Instructional	600	36,313		36,913
Extracurricular Activities	36,098	4,060		40,158
Facilities Acquisition and Construction			17,652	17,652
	Total Cash Disbursements	76,330	20,341	2,407,771
	2,311,100			
<i>Excess of Receipts Over Disbursements</i>	332,034	4,203	102,959	439,196
Other Financing Receipts				
Reduction of Prior Year Expenditure	3,636			3,636
	Net Change in Fund Cash Balances	4,203	102,959	442,832
	335,670			
<i>Fund Cash Balances, July 1</i>	2,309,379	20,108	281,688	2,611,175
	Fund Cash Balances, June 30	24,311	384,647	24,311
Restricted				24,311
Committed	78,228			462,875
Assigned	17,781			17,781
Unassigned	2,549,040			2,549,040
	Fund Cash Balances, June 30	\$ 24,311	\$ 384,647	\$ 3,054,007
	\$2,645,049			

The notes to the financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust	Agency	Totals (Memorandum Only)
Operating Cash Receipts			
Extracurricular Activities		\$ 44,618	\$ 44,618
Operating Cash Disbursements			
Other Objects	\$ 17,000	56,492	73,492
<i>Operating Loss</i>	(17,000)	(11,874)	(28,874)
Non-Operating Receipts			
Earnings on Investment	171		171
Miscellaneous	25,107		25,107
<i>Total Non-Operating Cash Receipts</i>	25,278		25,278
<i>Net Change in Fund Cash Balances</i>	8,278	(11,874)	(3,596)
<i>Fund Cash Balances, July 1</i>	154,708	33,641	188,349
<i>Fund Cash Balances, June 30</i>	<u>\$ 162,986</u>	<u>\$ 21,767</u>	<u>\$ 184,753</u>

The notes to the financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
From Local Sources:				
Taxes	\$2,269,783	\$ 37,117	\$ 111,873	\$ 2,418,773
Tuition	143,558			143,558
Earnings on Investments	3,995	36	353	4,384
Extracurricular		3,700		3,700
Classroom Materials and Fees	1,080			1,080
Other Local	7,759	136		7,895
Intergovernmental - State	213,685	10,130	10,237	234,052
Intergovernmental - Federal		30,595		30,595
<i>Total Cash Receipts</i>	2,639,860	81,714	122,463	2,844,037
Cash Disbursements				
Current:				
Instruction:				
Regular	1,379,427	13,892		1,393,319
Special	129,717	16,951		146,668
Support Services:				
Pupil	118,617			118,617
Instructional Staff	23,226	2,884		26,110
Board of Education	12,288			12,288
Administration	184,541			184,541
Fiscal	169,771	1,800	2,740	174,311
Operations and Maintenance	204,060			204,060
Pupil Transportation	25,000			25,000
Central		4,566		4,566
Operation of Non-Instructional		43,789		43,789
Extracurricular Activities	40,902	3,700		44,602
Facilities Acquisition and Construction	43,679		88,874	132,553
<i>Total Cash Disbursements</i>	2,331,228	87,582	91,614	2,510,424
<i>Excess of Receipts Over (Under) Disbursements</i>	308,632	(5,868)	30,849	333,613
Other Financing Receipts				
Reduction of Prior Year Expenditure	2,317			2,317
<i>Net Change in Fund Cash Balances</i>	310,949	(5,868)	30,849	335,930
<i>Fund Cash Balances, July 1</i>	1,998,430	25,976	250,839	2,275,245
Fund Cash Balances, June 30				
Restricted		20,108		20,108
Committed	48,169		281,688	329,857
Assigned	32,455			32,455
Unassigned	2,228,755			2,228,755
<i>Fund Cash Balances, June 30</i>	\$2,309,379	\$ 20,108	\$ 281,688	\$ 2,611,175

The notes to the financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust	Agency	Totals (Memorandum Only)
Operating Cash Receipts			
Extracurricular Activities		\$ 40,730	\$ 40,730
Operating Cash Disbursements			
Other Objects	\$ 21,625	36,780	58,405
<i>Operating Income (Loss)</i>	(21,625)	3,950	(17,675)
Non-Operating Cash Receipts			
Earnings on Investment	240		240
Miscellaneous	14,863		14,863
<i>Total Non-operating Cash Receipts</i>	15,103		15,103
<i>Net Change in Fund Cash Balances</i>	(6,522)	3,950	(2,572)
<i>Fund Cash Balances, July 1</i>	161,230	29,691	190,921
<i>Fund Cash Balances, June 30</i>	<u>\$ 154,708</u>	<u>\$ 33,641</u>	<u>\$ 188,349</u>

The notes to the financial statements are an integral part of this statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Put-in-Bay Local School District, Ottawa County, Ohio (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

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

B. Jointly Governed Organization

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among several school districts. The jointly governed organization 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. 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 limited to its representation on the Board. The amount paid in fiscal years 2013 and 2014 was \$16,183 and \$20,187, respectively. Financial information can be obtained by contacting Matthew Bauer, who serves as controller, at 1210 East Bogart Road, Sandusky, Ohio 44870.

C. Public Entity Risk Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

San-Ott Insurance Consortium

The District participates in 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, J. William Nye, Treasurer of Genoa Area Local School District, at 2810 North Genoa-Clay Center Road, Genoa, Ohio 43430-9730.

D. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

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

E. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund is the 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.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than capital projects) that are restricted to expenditure for specific purposes.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the District's own programs.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The District disburses these funds as directed by the individual, organization or other government. The District's agency fund is used to account for student activity programs which have student participation in the activity and have students involved in the management of the program.

F. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the fund level are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or are legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

H. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

I. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid.

L. Long-Term Obligations

The District's cash basis does not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

M. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation.

2. EQUITY IN POOLED DEPOSITS

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

	2014	2013
Demand deposits	\$ 133,175	\$ 214,235
Certificates of deposit	33,564	\$ 30,207
Savings accounts	3,072,021	2,555,082
Total Deposits	\$ 3,238,760	\$ 2,799,524

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,647,509	\$ 2,646,770	\$ (739)
Special Revenue	155,186	80,553	(74,633)
Capital Projects	122,753	123,300	547
Private Purpose Trust	25,278	25,278	
Total	<u>\$ 2,950,726</u>	<u>\$ 2,875,901</u>	<u>\$ (74,825)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,588,885	\$ 2,311,100	\$ 277,785
Special Revenue	89,406	82,266	7,140
Capital Projects	52,800	32,191	20,609
Private Purpose Trust	21,250	17,000	4,250
Total	<u>\$ 2,752,341</u>	<u>\$ 2,442,557</u>	<u>\$ 309,784</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,561,685	\$ 2,642,177	\$ 80,492
Special Revenue	85,176	81,714	(3,462)
Capital Projects	119,000	122,463	3,463
Private Purpose Trust	13,900	15,103	1,203
Total	<u>\$ 2,779,761</u>	<u>\$ 2,861,457</u>	<u>\$ 81,696</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,681,655	\$ 2,363,683	\$ 317,972
Special Revenue	95,616	91,127	4,489
Capital Projects	110,750	108,835	1,915
Private Purpose Trust	24,000	21,625	2,375
Total	<u>\$ 2,912,021</u>	<u>\$ 2,585,270</u>	<u>\$ 326,751</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

5. PENSION PLANS

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, 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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 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 contributions to SERS for the years ended June 30, 2014 and 2013 were \$29,506 and \$30,152, respectively, which equaled the required contributions each year.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

5. PENSION PLANS – (Continued)

B. State Teachers Retirement System of Ohio

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

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 2012, plan members were required to contribute 11 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 14 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, 2014 and 2013 were \$183,478 and \$175,677, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

5. PENSION PLANS – (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, certain members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

6. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents, general and education liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims have not exceeded the commercial coverage each of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Employee Group Health Insurance

The District participates in the San-Ott Insurance Consortium (the Consortium) shared risk pool. The Consortium includes eight member school districts and is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The Consortium was formed to provide for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance, prescription drug insurance, dental insurance and vision insurance.

Effective August 1, 2013, the Consortium participates in the Jefferson Health Plan (the "Health Plan"), a claims servicing pool organized under Ohio Revised Code Chapter 167, for the purpose of establishing and carrying out a cooperative program to administer insurance benefits for employees of the participating entities and their eligible dependents. The Health Plan contracts with third-party administrators to process and pay claims incurred by its members.

The Health Plan also purchases stop-loss coverage for claims in excess of a set amount for individual claims and in the pool's aggregate. Each member of the Health Plan is obligated to pay a fee based on an estimate of the member's share of the Health Plan costs for the fiscal year. Included in this estimate are claims by eligible employees, which are payable by each member, the member's share of the various insurance premiums, and their proportionate share of the administrative costs of the Health Plan. The actual balance of each member's account is determined on a monthly basis. Each member is required to meet or exceed the claims that have been incurred but not reported and to maintain adequate reserves or current funding to meet or exceed their claims fluctuation reserve requirements. If a member is in a deficit position, the participating member has two fiscal years to make up a negative reserve amount or an insufficient incurred but not reported and three fiscal years to make up insufficient claims fluctuation reserves.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

6. RISK MANAGEMENT – (Continued)

Members may withdraw from the Health Plan with as much notice as is possible for the termination, allowing the Health Plan time to determine any withdrawal balance owed to or by the departing employer. Any outstanding reserve balances are held by the Health Plan for a maximum period of six months to satisfy the payment of claims incurred before termination. The terminating member has the option to pay all of the claims incurred prior to the termination for membership, so that any reserves could be released sooner. Employers found to be in a deficit position wishing to leave the Health Plan will be required to repay the deficit in full within ninety days of the effective withdrawal date. Additionally, such terminating member will be required to pay any claims incurred prior to termination notification.

C. Worker's Compensation Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 1.C.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

7. SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

During the fiscal year ended June 30, 2013, the reserve activity was as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	
Current year set-aside requirement	\$ 12,029
Current year qualifying expenditures	(23,989)
Current year offsets	<u>(108,200)</u>
Total	<u>\$ (120,160)</u>
Balance carried forward to fiscal year 2014	<u><u> </u></u>
Set-aside balance June 30, 2013	<u><u> </u></u>

Although the District had qualifying disbursements and offsets during the fiscal years that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

During the fiscal year ended June 30, 2014, the reserve activity was as follows:

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	
Current year set-aside requirement	\$ 12,719
Current year qualifying expenditures	(27,091)
Current year offsets	<u>(108,540)</u>
Total	<u>\$ (122,912)</u>
Balance carried forward to fiscal year 2015	<u><u> </u></u>
Set-aside balance June 30, 2014	<u><u> </u></u>

Although the District had qualifying disbursements and offsets during the fiscal years that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

8. CONTINGENT LIABILITIES

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Put-in-Bay Local School District, Ottawa County, Ohio (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2015, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governmental entities not required to report in accordance with GAAP rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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

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www.ohioauditor.gov

statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 22, 2015

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03 (B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports prepared using generally accepted accounting principles (GAAP).

For fiscal years 2014 and 2013, the District prepared its financial statements in accordance with the regulatory basis of accounting prescribed or permitted by the Auditor of State for governments not required to report in accordance with GAAP. This presentation differs from accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Officials' Response:

The District understands this requirement, but feels that there are no financial and/or cost benefits to converting to generally accepted accounting principles.

PUT-IN-BAY LOCAL SCHOOL DISTRICT
OTTAWA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Not corrected. Repeated as finding number 2014-001 in this report.



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on June 6, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 22, 2015

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Dave Yost • Auditor of State

PUT IN BAY LOCAL SCHOOL DISTRICT

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2015**