

***PORT CLINTON CITY SCHOOL DISTRICT***

**AUDIT REPORT**

**For the Year Ended June 30, 1999**

***Charles E. Harris & Associates***  
**Certified Public Accountants**

***PORT CLINTON CITY SCHOOL DISTRICT***

**AUDIT REPORT**

**For the Year Ended June 30, 1999**

***Charles E. Harris & Associates, Inc.***  
**Certified Public Accountants**

**PORT CLINTON CITY SCHOOL DISTRICT**  
**AUDIT REPORT**  
For the Year Ended June 30, 1999

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**PORT CLINTON CITY SCHOOL DISTRICT  
AUDIT REPORT  
For the Year Ended June 30, 1999**

**ELECTED OFFICIALS**

| <u>BOARD OF EDUCATION</u> | <u>TITLE</u>   | <u>TERM OF EXPIRATION</u> | <u>SURETY</u> |
|---------------------------|----------------|---------------------------|---------------|
| Gary Ohm                  | President      | December 31, 1999         | (A)           |
| Gerald Rusk               | Vice-President | December 31, 2001         |               |
| Barbara Drusbacky         | Member         | December 31, 2001         |               |
| Mark May                  | Member         | December 31, 2001         |               |
| David Belden              | Member         | December 31, 1999         |               |

(A) Buckeye Union Insurance Company in the amount of \$20,000

**PORT CLINTON CITY SCHOOL DISTRICT  
AUDIT REPORT  
For the Year Ended June 30, 1999**

**ADMINISTRATIVE PERSONNEL**

| <u>TITLE</u>                  | <u>TERM OF OFFICE OR<br/>CONTRACT PERIOD</u> | <u>SURETY</u> | <u>AMOUNT</u> |
|-------------------------------|--|---------------|---------------|
| <b><u>Superintendent:</u></b> |  |               |               |
| Dennis Rectenwald             | 8/1/97 - 7/31/02                             | (A)           | \$20,000      |
| <b><u>Treasurer:</u></b>      |  |               |               |
| Denise J. Armour              | 1/4/99 to Organizational<br>Meeting 2003     | (B)           | \$20,000      |

**LEGAL COUNSEL:**

Baumgartner & O'Tool, L.P.A.  
120 East Avenue  
Elyria, Ohio 44035-5228

- (A) Buckeye Union Company
- (B) United States Fidelity and Guaranty Company

**PORT CLINTON CITY SCHOOL DISTRICT  
AUDIT REPORT  
For the Year Ended June 30, 1999**

**INDEX OF FUNDS AND ACCOUNT GROUPS**

**GOVERNMENTAL FUND TYPES:**

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**Professional Development Fund**

**Athletic and Music Fund**

**School Age Child Care Grant Fund**

**Data Communication Fund**

**Management Information System Fund**

**Disadvantaged Pupil Impact Aid Fund**

**Eisenhower Grant Fund**

**Education Improvement Grant - Public School Preschool Fund**

**Title VI-B, Special Education - State Grants Fund**

**Title 1 Fund**

**Title VI Fund**

**Drug Free Grant Fund**

**Textbook Subsidy Fund**

**Technology Workshop Fund**

**Dependent Care Fund**

**Auxiliary Services Fund**

**Technical Training Grant Fund**

**Debt Service Fund Type:**

**Bond Retirement Fund**

**Capital Project Fund Type:**

**Permanent Improvement Fund**

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**Vocational Education Equipment Fund**

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*PORT CLINTON CITY SCHOOL DISTRICT*  
**AUDIT REPORT**  
For the Year Ended June 30, 1999

**INDEX OF FUNDS AND ACCOUNT GROUPS - (Continued)**

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**Memorial Fund**

**Non-Expendable Trust Fund Type:**

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**Student Activity Funds**

**ACCOUNT GROUPS:**

**General Fixed Assets Account Group**

**General Long-Term Obligations Account Group**





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

Board of Education  
Port Clinton City School District

We have reviewed the independent auditor's report of the Port Clinton City School District, Ottawa County, prepared by Charles E. Harris & Associates, Inc. for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Port Clinton City School District is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

January 21, 2000

614 Superior Avenue, N.W.  
Rockefeller Building, Suite 1242  
Cleveland, Ohio 44113  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

**INDEPENDENT ACCOUNTANT'S REPORT**

Board of Education  
Port Clinton City School District  
Port Clinton, Ohio

We have audited the accompanying general purpose financial statements of Port Clinton City School District (the District), as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types and non-expendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 1999 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 grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Port Clinton City School District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Charles E. Harris & Associates*  
Charles E. Harris & Associates  
December 20, 1999

PORT CLINTON CITY SCHOOL DISTRICT

COMBINED BALANCE SHEET  
All Fund Types and Account Groups  
June 30, 1999

|   | Governmental Fund Types |                    |                 | Proprietary Fund Types |            | Fiduciary Fund Types |            | Account Groups  |                          |   | Total<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|-----------------|------------------------|------------|----------------------|------------|-----------------|--------------------------|---|-------------------------------|
|   | General                 | Special<br>Revenue | Debt<br>Service | Capital<br>Projects    | Enterprise | Trust and<br>Agency  | General    | Fixed<br>Assets | Long-Term<br>Obligations |   |                               |
|   |                         |                    |                 |                        |            |                      |            |                 |                          |   |                               |
| ASSETS  |                         |                    |                 |                        |            |                      |            |                 |                          |   |                               |
| Equity in pooled cash and investments                             | \$ 5,322,188            | 1,005,802          | 1,664,096       | 76,736                 | 73,061     | 105,222              | -          | -               | -                        | - | 8,247,105                     |
| Cash in segregated accounts                                       | 5,000                   | 3,850              | -               | -                      | -          | -                    | -          | -               | -                        | - | 8,850                         |
| Restricted cash and cash equivalents                              | 86,386                  | -                  | -               | -                      | -          | -                    | -          | -               | -                        | - | 86,386                        |
| Receivables:  |                         |                    |                 |                        |            |                      |            |                 |                          |   |                               |
| Taxes   | 8,638,657               | -                  | 824,589         | 87,342                 | -          | -                    | -          | -               | -                        | - | 9,550,588                     |
| Accounts  | 3,169                   | -                  | -               | -                      | -          | 2,809                | -          | -               | -                        | - | 5,978                         |
| Interfund receivable  | 55,177                  | -                  | -               | -                      | -          | -                    | -          | -               | -                        | - | 55,177                        |
| Due from other governments  | -                       | -                  | -               | -                      | 36,679     | -                    | -          | -               | -                        | - | 36,679                        |
| Prepaid items   | 70,145                  | -                  | -               | -                      | 4,701      | -                    | -          | -               | -                        | - | 74,846                        |
| Inventory   | -                       | -                  | -               | -                      | 11,709     | -                    | -          | -               | -                        | - | 11,709                        |
| Fixed assets (Net, where applicable, of accumulated depreciation) | -                       | -                  | -               | -                      | 28,280     | -                    | -          | -               | -                        | - | 12,879,605                    |
| Amount available in Debt Service Fund                             | -                       | -                  | -               | -                      | -          | -                    | -          | -               | 1,837,016                | - | 1,837,016                     |
| Amount to be provided from general government resources           | -                       | -                  | -               | -                      | -          | -                    | -          | -               | 4,761,728                | - | 4,761,728                     |
| Total Assets  | \$ 14,180,722           | 1,009,652          | 2,488,685       | 164,078                | 154,430    | 108,031              | 12,851,325 | 6,598,744       | 37,555,667               |   |                               |

See accompanying notes to the general purpose financial statements

**PORT CLINTON CITY SCHOOL DISTRICT**

**COMBINED BALANCE SHEET**  
All Fund Types and Account Groups - continued  
June 30, 1989

|  | Governmental Fund Types |                    |                  |                     | Proprietary Fund Types |                     | Fiduciary Fund Types       |                                     | Account Groups |          |          | Total<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|------------------|---------------------|------------------------|---------------------|----------------------------|-------------------------------------|----------------|----------|----------|-------------------------------|
|  | General                 | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects | Enterprise             | Trust and<br>Agency | General<br>Fixed<br>Assets | General<br>Long-Term<br>Obligations |                |          |          |                               |
|  |                         |                    |                  |                     |                        |                     |                            |                                     |                |          |          |                               |
| <b>LIABILITIES</b>                       |                         |                    |                  |                     |                        |                     |                            |                                     |                |          |          |                               |
| Accounts payable                         | \$ 188,690              | 55,001             | -                | 8,999               | 19,593                 | 14,828              | -                          | -                                   | -              | -        | -        | 287,111                       |
| Accrued wages and benefits               | 1,095,645               | 41,221             | -                | -                   | 29,800                 | -                   | -                          | -                                   | -              | -        | -        | 1,166,666                     |
| Compensated absences payable             | 22,073                  | 129                | -                | -                   | 14,465                 | -                   | -                          | -                                   | 1,143,665      | -        | -        | 1,180,332                     |
| Pension obligation payable               | 212,049                 | 499                | -                | -                   | 16,011                 | -                   | -                          | -                                   | 110,122        | -        | -        | 338,681                       |
| Interfund payable                        | -                       | 27,277             | -                | 15,800              | 12,100                 | -                   | -                          | -                                   | -              | -        | -        | 55,177                        |
| Due to other governments                 | 53,017                  | 869                | -                | -                   | 538                    | -                   | -                          | -                                   | -              | -        | -        | 54,424                        |
| Deferred revenue                         | 7,210,910               | -                  | 651,669          | 27,372              | -                      | 72,793              | -                          | -                                   | -              | -        | -        | 7,869,951                     |
| Due to students                          | -                       | -                  | -                | -                   | -                      | -                   | -                          | -                                   | -              | -        | -        | 72,793                        |
| General obligation bonds payable         | -                       | -                  | -                | -                   | -                      | -                   | -                          | -                                   | 5,344,957      | -        | -        | 5,344,957                     |
| <b>Total Liabilities</b>                 | <b>\$ 8,782,384</b>     | <b>124,996</b>     | <b>651,669</b>   | <b>52,171</b>       | <b>92,507</b>          | <b>87,621</b>       | <b>-</b>                   | <b>6,598,744</b>                    | <b>-</b>       | <b>-</b> | <b>-</b> | <b>16,390,082</b>             |
| <b>FUND EQUITY</b>                       |                         |                    |                  |                     |                        |                     |                            |                                     |                |          |          |                               |
| Investment in general fixed assets       | -                       | -                  | -                | -                   | -                      | -                   | 12,851,325                 | -                                   | -              | -        | -        | 12,851,325                    |
| Retained earnings:                       |                         |                    |                  |                     |                        |                     |                            |                                     |                |          |          |                               |
| Unreserved:                              |                         |                    |                  |                     |                        |                     |                            |                                     |                |          |          |                               |
| Fund balance:                            |                         |                    |                  |                     |                        |                     |                            |                                     |                |          |          |                               |
| Reserved for encumbrances                | \$ 943,331              | 64,968             | -                | 7,744               | -                      | 2,973               | -                          | -                                   | -              | -        | -        | 1,019,016                     |
| Reserved for property taxes              | 1,427,747               | -                  | 172,920          | 59,970              | -                      | -                   | -                          | -                                   | -              | -        | -        | 1,660,637                     |
| Reserved for prepaid items               | 70,145                  | -                  | -                | -                   | -                      | -                   | -                          | -                                   | -              | -        | -        | 70,145                        |
| Reserved for debt service                | -                       | -                  | 1,664,096        | -                   | -                      | -                   | -                          | -                                   | -              | -        | -        | 1,664,096                     |
| Reserved for budget stabilization        | 86,386                  | -                  | -                | -                   | -                      | -                   | -                          | -                                   | -              | -        | -        | 86,386                        |
| Reserved for endowment                   | -                       | -                  | -                | -                   | -                      | 15,166              | -                          | -                                   | -              | -        | -        | 15,166                        |
| Unreserved: undesignated                 | 2,870,729               | 819,688            | -                | 44,193              | -                      | 2,271               | -                          | -                                   | -              | -        | -        | 3,736,881                     |
| <b>Total Fund Equity</b>                 | <b>5,398,338</b>        | <b>884,656</b>     | <b>1,837,016</b> | <b>111,907</b>      | <b>61,923</b>          | <b>20,410</b>       | <b>12,851,325</b>          | <b>-</b>                            | <b>-</b>       | <b>-</b> | <b>-</b> | <b>21,165,575</b>             |
| <b>Total Liabilities and Fund Equity</b> | <b>\$ 14,180,722</b>    | <b>1,009,652</b>   | <b>2,488,685</b> | <b>184,078</b>      | <b>154,430</b>         | <b>108,031</b>      | <b>12,851,325</b>          | <b>6,598,744</b>                    | <b>-</b>       | <b>-</b> | <b>-</b> | <b>37,555,667</b>             |

See accompanying notes to the general purpose financial statements

**PORT CLINTON CITY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**All Governmental Fund Types and Similar Trust Fund**  
**For the Year Ended June 30, 1999**

|  | Governmental Fund Types |                    |                  | Fiduciary           | Total<br>(Memo Only)<br>June 30, 1999 |                     |
|--|-------------------------|--------------------|------------------|---------------------|---------------------------------------|---------------------|
|  | General                 | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects |                                       | Expendable<br>Trust |
| <b>REVENUES:</b>   |                         |                    |                  |                     |                                       |                     |
| Taxes  | \$ 10,425,519           | -                  | 990,184          | 119,195             | -                                     | 11,534,898          |
| Intergovernmental  | 3,911,133               | 803,237            | 108,390          | 72,545              | -                                     | 4,895,305           |
| Interest   | 479,505                 | 2,654              | -                | 1,671               | 175                                   | 484,005             |
| Tuition and fees   | 59,390                  | 55,406             | -                | -                   | -                                     | 114,796             |
| Classroom materials and fees   | 298                     | -                  | -                | -                   | -                                     | 298                 |
| Extracurricular activities   | -                       | 109,557            | -                | -                   | 1,852                                 | 111,409             |
| Miscellaneous  | 69,789                  | 41,112             | -                | -                   | 6,530                                 | 117,431             |
| <b>Total Revenues</b>  | <b>14,945,634</b>       | <b>1,011,966</b>   | <b>1,098,574</b> | <b>193,411</b>      | <b>8,557</b>                          | <b>17,258,142</b>   |
| <b>EXPENDITURES:</b>   |                         |                    |                  |                     |                                       |                     |
| Instruction  | 8,218,862               | 484,932            | -                | 69,513              | 4,067                                 | 8,777,374           |
| Support Services:  |                         |                    |                  |                     |                                       |                     |
| Pupils   | 1,027,362               | 96,548             | -                | -                   | -                                     | 1,123,910           |
| Instructional staff  | 358,801                 | 39,022             | -                | 304                 | -                                     | 398,127             |
| Board of education   | 12,543                  | -                  | -                | -                   | -                                     | 12,543              |
| Administration   | 1,324,491               | 85,884             | -                | 20,000              | -                                     | 1,430,375           |
| Fiscal   | 242,027                 | 7,276              | -                | -                   | -                                     | 249,303             |
| Business   | -                       | 618                | -                | -                   | -                                     | 618                 |
| Operation and maintenance of plant   | 1,602,481               | 10,603             | -                | -                   | -                                     | 1,613,084           |
| Pupil transportation   | 744,259                 | 21,861             | -                | -                   | -                                     | 766,120             |
| Central  | 15,495                  | 12,010             | -                | -                   | -                                     | 27,505              |
| Operation of non-instructional services  | -                       | 106,501            | -                | -                   | -                                     | 106,501             |
| Extracurricular activities   | 196,041                 | 184,348            | -                | -                   | -                                     | 380,389             |
| Capital Outlay   | 282,070                 | -                  | -                | 151,860             | -                                     | 433,930             |
| Debt Service:  |                         |                    |                  |                     |                                       |                     |
| Principal retirement   | -                       | -                  | 580,000          | -                   | -                                     | 580,000             |
| Interest and fiscal charges  | -                       | -                  | 283,841          | -                   | -                                     | 283,841             |
| <b>Total Expenditures</b>  | <b>14,024,432</b>       | <b>1,049,603</b>   | <b>863,841</b>   | <b>241,677</b>      | <b>4,067</b>                          | <b>16,183,620</b>   |
| Excess of Revenues Over/(Under)<br>Expenditures  | 921,202                 | (37,637)           | 234,733          | (48,266)            | 4,490                                 | 1,074,522           |
| <b>Other Financing Sources/(Uses):</b>   |                         |                    |                  |                     |                                       |                     |
| Refund of prior year expenditures  | 33,010                  | 342                | -                | -                   | -                                     | 33,352              |
| Refund of prior year receipts  | -                       | (836)              | -                | -                   | -                                     | (836)               |
| Proceeds from sale of fixed assets   | 2,016                   | -                  | -                | -                   | -                                     | 2,016               |
| Operating transfers - in   | 20,453                  | 751,690            | 99,500           | 25,000              | -                                     | 896,643             |
| Operating transfers - out  | (858,732)               | (89,802)           | -                | (3,684)             | -                                     | (952,218)           |
| <b>Total Other Financing Sources/(Uses)</b>  | <b>(803,253)</b>        | <b>661,394</b>     | <b>99,500</b>    | <b>21,316</b>       | <b>-</b>                              | <b>(21,043)</b>     |
| Excess of Revenues, Other Financing<br>Sources Over/(Under) Expenditures<br>and Other Financing Uses | 117,949                 | 623,757            | 334,233          | (26,950)            | 4,490                                 | 1,053,479           |
| Fund Balance/(Deficit) - July 1  | 5,280,389               | 260,899            | 1,502,783        | 138,857             | 754                                   | 7,183,682           |
| Fund Balance/(Deficit) - June 30   | \$ 5,398,338            | 884,656            | 1,837,016        | 111,907             | 5,244                                 | 8,237,161           |

See accompanying notes to the general purpose financial statements

**PORT CLINTON CITY SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types and Similar Trust Fund**  
**For the Year Ended June 30, 1999**

|  | General Fund        |                   |   | Special Revenue Funds |                  |   |
|--|---------------------|-------------------|---|-----------------------|------------------|---|
|  | Revised<br>Budget   | Actual            | Variance<br>Favorable/<br>(Unfavorable) | Revised<br>Budget     | Actual           | Variance<br>Favorable/<br>(Unfavorable) |
| <b>REVENUES:</b>   |                     |                   |   |                       |                  |   |
| Taxes  | \$ 9,575,000        | 10,232,937        | 657,937                                 | -                     | -                | -                                       |
| Tuition  | 10,000              | 18,973            | 8,973                                   | -                     | -                | -                                       |
| Earnings on investments  | 400,000             | 503,046           | 103,046                                 | 3,000                 | 2,654            | (346)                                   |
| Extracurricular activities   | -                   | -                 | -                                       | 120,000               | 109,557          | (10,443)                                |
| Classroom materials and fees   | 35,000              | 40,597            | 5,597                                   | 105,000               | 55,406           | (49,594)                                |
| Intergovernmental  | 3,861,000           | 3,911,133         | 50,133                                  | 950,000               | 909,301          | (40,699)                                |
| Miscellaneous  | 39,000              | 57,790            | 28,790                                  | 86,057                | 41,112           | (44,945)                                |
| <b>Total Revenues</b>  | <b>13,920,000</b>   | <b>14,774,476</b> | <b>854,476</b>                          | <b>1,264,057</b>      | <b>1,118,030</b> | <b>(146,027)</b>                        |
| <b>EXPENDITURES:</b>   |                     |                   |   |                       |                  |   |
| Instruction  | 8,771,672           | 8,669,966         | 101,706                                 | 552,924               | 503,704          | 49,220                                  |
| Support Services:  |                     |                   |   |                       |                  |   |
| Pupils   | 1,088,025           | 998,761           | 89,264                                  | 102,525               | 98,287           | 4,238                                   |
| Instructional support  | 383,278             | 362,222           | 21,056                                  | 52,041                | 42,170           | 9,871                                   |
| Board of education   | 16,510              | 16,435            | 75                                      | -                     | -                | -                                       |
| Administration   | 1,435,881           | 1,378,535         | 57,346                                  | 90,092                | 86,706           | 3,386                                   |
| Fiscal   | 277,053             | 266,406           | 10,647                                  | 7,277                 | 7,277            | -                                       |
| Business   | -                   | -                 | -                                       | 830                   | 633              | 197                                     |
| Operation and maintenance of plant   | 2,061,098           | 2,009,216         | 51,882                                  | 6,857                 | 6,682            | 175                                     |
| Pupil transportation   | 941,532             | 881,468           | 60,064                                  | 23,635                | 23,593           | 42                                      |
| Central  | -                   | -                 | -                                       | 12,166                | 12,133           | 33                                      |
| Operation of non-instructional services  | -                   | -                 | -                                       | 138,875               | 136,525          | 2,350                                   |
| Extracurricular activities   | 212,640             | 208,050           | 4,590                                   | 205,413               | 177,348          | 28,065                                  |
| Capital outlay   | 306,239             | 288,330           | 17,909                                  | -                     | -                | -                                       |
| Debt Service:  |                     |                   |   |                       |                  |   |
| Principal payments   | -                   | -                 | -                                       | -                     | -                | -                                       |
| Interest and fiscal charges  | -                   | -                 | -                                       | -                     | -                | -                                       |
| <b>Total Expenditures</b>  | <b>15,493,928</b>   | <b>15,079,389</b> | <b>414,539</b>                          | <b>1,192,635</b>      | <b>1,095,058</b> | <b>97,577</b>                           |
| Excess of Revenues Over/<br>(Under) Expenditures   | (1,573,928)         | (304,913)         | 1,269,015                               | 71,422                | 22,972           | (48,450)                                |
| <b>Other Financing Sources/(Uses):</b>   |                     |                   |   |                       |                  |   |
| Transfers in   | -                   | 20,453            | 20,453                                  | 92,902                | 751,690          | 658,788                                 |
| Transfers out  | (1,453,678)         | (858,732)         | 594,946                                 | (89,802)              | (89,802)         | -                                       |
| Advances in  | -                   | 55,860            | 55,860                                  | 27,195                | 27,277           | 82                                      |
| Advances out   | (55,200)            | (55,177)          | 23                                      | (55,860)              | (55,860)         | -                                       |
| Sale of fixed assets   | -                   | 2,016             | 2,016                                   | -                     | -                | -                                       |
| Refund of prior year receipts  | -                   | -                 | -                                       | (836)                 | (836)            | -                                       |
| Refund of prior year expenditures  | 200,000             | 42,716            | (157,284)                               | 342                   | 342              | -                                       |
| <b>Total Other Financing Sources/(Uses)</b>  | <b>(1,308,878)</b>  | <b>(792,864)</b>  | <b>516,014</b>                          | <b>(26,059)</b>       | <b>632,811</b>   | <b>658,870</b>                          |
| Excess of Revenues, Other Financing<br>Sources Over/(Under) Expenditures<br>and Other Financing Uses | (2,882,806)         | (1,097,777)       | 1,785,029                               | 45,363                | 655,783          | 610,420                                 |
| Fund Balance/(Deficit) July 1  | 4,497,161           | 4,497,161         | -                                       | 161,071               | 161,071          | -                                       |
| Prior year encumbrances appropriated   | 843,523             | 843,523           | -                                       | 72,830                | 72,830           | -                                       |
| Fund Balance/(Deficit) June 30   | \$ <u>2,457,878</u> | <u>4,242,907</u>  | <u>1,785,029</u>                        | <u>279,264</u>        | <u>889,684</u>   | <u>610,420</u>                          |

See accompanying notes to the general purpose financial statements

**PORT CLINTON CITY SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Similar Trust Fund  
 For the Year Ended June 30, 1999

|  | Debt Service Fund |                  |   | Capital Projects Funds |                |   |
|--|-------------------|------------------|---|------------------------|----------------|---|
|  | Revised<br>Budget | Actual           | Variance<br>Favorable/<br>(Unfavorable) | Revised<br>Budget      | Actual         | Variance<br>Favorable/<br>(Unfavorable) |
| <b>REVENUES:</b>   |                   |                  |   |                        |                |   |
| Taxes  | \$ 958,900        | 966,573          | 7,673                                   | 80,000                 | 103,562        | 23,562                                  |
| Tuition  | -                 | -                | -                                       | -                      | -              | -                                       |
| Earnings on investments  | -                 | -                | -                                       | 1,500                  | 1,671          | 171                                     |
| Extracurricular activities   | -                 | -                | -                                       | -                      | -              | -                                       |
| Classroom materials and fees   | -                 | -                | -                                       | -                      | -              | -                                       |
| Intergovernmental  | 110,000           | 108,390          | (1,610)                                 | 53,300                 | 72,545         | 19,245                                  |
| Miscellaneous  | -                 | -                | -                                       | -                      | -              | -                                       |
| <b>Total Revenues</b>  | <b>1,068,900</b>  | <b>1,074,963</b> | <b>6,063</b>                            | <b>134,800</b>         | <b>177,778</b> | <b>42,978</b>                           |
| <b>EXPENDITURES:</b>   |                   |                  |   |                        |                |   |
| Instruction  | -                 | -                | -                                       | 75,215                 | 75,215         | -                                       |
| Support Services:  |                   |                  |   |                        |                |   |
| Pupils   | -                 | -                | -                                       | -                      | -              | -                                       |
| Instructional support  | -                 | -                | -                                       | 911                    | 632            | 279                                     |
| Board of education   | -                 | -                | -                                       | -                      | -              | -                                       |
| Administration   | -                 | -                | -                                       | 27,602                 | 20,000         | 7,602                                   |
| Fiscal   | -                 | -                | -                                       | -                      | -              | -                                       |
| Business   | -                 | -                | -                                       | -                      | -              | -                                       |
| Operation and maintenance of plant   | -                 | -                | -                                       | -                      | -              | -                                       |
| Pupil transportation   | -                 | -                | -                                       | -                      | -              | -                                       |
| Central  | -                 | -                | -                                       | -                      | -              | -                                       |
| Operation of non-instructional services  | -                 | -                | -                                       | -                      | -              | -                                       |
| Extracurricular activities   | -                 | -                | -                                       | -                      | -              | -                                       |
| Capital outlay   | -                 | -                | -                                       | 172,772                | 166,337        | 6,435                                   |
| Debt Service:  |                   |                  |   |                        |                |   |
| Principal payments   | 580,000           | 580,000          | -                                       | -                      | -              | -                                       |
| Interest and fiscal charges  | 509,491           | 283,841          | 225,650                                 | -                      | -              | -                                       |
| <b>Total Expenditures</b>  | <b>1,089,491</b>  | <b>863,841</b>   | <b>225,650</b>                          | <b>276,500</b>         | <b>262,184</b> | <b>14,316</b>                           |
| Excess of Revenues Over/<br>(Under) Expenditures   | (20,591)          | 211,122          | 231,713                                 | (141,700)              | (84,406)       | 57,294                                  |
| <b>Other Financing Sources/(Uses):</b>   |                   |                  |   |                        |                |   |
| Transfers in   | 88,400            | 99,500           | 11,100                                  | 25,000                 | 25,000         | -                                       |
| Transfers out  | -                 | -                | -                                       | (3,684)                | (3,684)        | -                                       |
| Advances in  | -                 | -                | -                                       | 15,800                 | 15,800         | -                                       |
| Advances out   | -                 | -                | -                                       | -                      | -              | -                                       |
| Sale of fixed assets   | -                 | -                | -                                       | -                      | -              | -                                       |
| Refund of prior year receipts  | -                 | -                | -                                       | -                      | -              | -                                       |
| Refund of prior year expenditures  | -                 | -                | -                                       | -                      | -              | -                                       |
| <b>Total Other Financing Sources/(Uses)</b>  | <b>88,400</b>     | <b>99,500</b>    | <b>11,100</b>                           | <b>37,116</b>          | <b>37,116</b>  | <b>-</b>                                |
| Excess of Revenues, Other Financing<br>Sources Over/(Under) Expenditures<br>and Other Financing Uses | 67,809            | 310,622          | 242,813                                 | (104,584)              | (47,290)       | 57,294                                  |
| Fund Balance/(Deficit) July 1  | 1,353,475         | 1,353,474        | -                                       | 42,328                 | 42,328         | -                                       |
| Prior year encumbrances appropriated   | -                 | -                | -                                       | 64,954                 | 64,954         | -                                       |
| Fund Balance/(Deficit) June 30   | \$ 1,421,284      | 1,664,096        | 242,813                                 | 2,698                  | 59,992         | 57,294                                  |

See accompanying notes to the general purpose financial statements

**PORT CLINTON CITY SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types and Similar Trust Fund**  
**For the Year Ended June 30, 1999**

|  | Expendable Trust Fund |              |                                   | Totals - (Memorandum Only) |                   |                                   |
|--|-----------------------|--------------|-----------------------------------|----------------------------|-------------------|-----------------------------------|
|  | Revised Budget        | Actual       | Variance Favorable/ (Unfavorable) | Revised Budget             | Actual            | Variance Favorable/ (Unfavorable) |
| <b>REVENUES:</b>   |                       |              |                                   |                            |                   |                                   |
| Taxes  | -                     | -            | -                                 | 11,433,417                 | 11,303,072        | (130,345)                         |
| Tuition  | -                     | -            | -                                 | 100,000                    | 18,973            | (81,027)                          |
| Earnings on investments  | \$ 50                 | 175          | 125                               | 452,550                    | 507,546           | 54,996                            |
| Extracurricular activities   | 4,500                 | 1,852        | (2,648)                           | 125,846                    | 111,409           | (14,437)                          |
| Classroom materials and fees   | -                     | -            | -                                 | 64,844                     | 96,003            | 31,159                            |
| Intergovernmental  | -                     | -            | -                                 | 4,726,296                  | 5,001,369         | 275,073                           |
| Miscellaneous  | 6,000                 | 6,530        | 530                               | 93,386                     | 115,432           | 22,046                            |
| <b>Total Revenues</b>  | <b>10,550</b>         | <b>8,557</b> | <b>(1,993)</b>                    | <b>16,996,339</b>          | <b>17,153,804</b> | <b>157,465</b>                    |
| <b>EXPENDITURES:</b>   |                       |              |                                   |                            |                   |                                   |
| Instruction  | \$ 9,083              | 5,692        | 3,391                             | 9,408,894                  | 9,254,577         | 154,317                           |
| Support Services:  |                       |              |                                   |                            |                   |                                   |
| Pupils   | -                     | -            | -                                 | 1,190,550                  | 1,097,048         | 93,502                            |
| Instructional support  | -                     | -            | -                                 | 436,230                    | 405,024           | 31,206                            |
| Board of education   | -                     | -            | -                                 | 16,510                     | 16,435            | 75                                |
| Administration   | -                     | -            | -                                 | 1,553,575                  | 1,485,241         | 68,334                            |
| Fiscal   | -                     | -            | -                                 | 284,330                    | 273,683           | 10,647                            |
| Business   | -                     | -            | -                                 | 830                        | 633               | 197                               |
| Operation and maintenance of plant   | -                     | -            | -                                 | 2,067,955                  | 2,015,898         | 52,057                            |
| Pupil transportation   | -                     | -            | -                                 | 965,167                    | 905,061           | 60,106                            |
| Central  | -                     | -            | -                                 | 12,166                     | 12,133            | 33                                |
| Operation of non-instructional services  | -                     | -            | -                                 | 138,875                    | 136,525           | 2,350                             |
| Extracurricular activities   | -                     | -            | -                                 | 418,053                    | 385,398           | 32,655                            |
| Capital outlay   | -                     | -            | -                                 | 479,011                    | 454,667           | 24,344                            |
| Debt Service:  |                       |              |                                   |                            |                   |                                   |
| Principal payments   | -                     | -            | -                                 | 580,000                    | 580,000           | -                                 |
| Interest and fiscal charges  | -                     | -            | -                                 | 509,491                    | 283,841           | 225,650                           |
| <b>Total Expenditures</b>  | <b>9,083</b>          | <b>5,692</b> | <b>3,391</b>                      | <b>18,061,637</b>          | <b>17,306,164</b> | <b>755,473</b>                    |
| Excess of Revenues Over/ (Under) Expenditures  | 1,467                 | 2,865        | 1,398                             | (1,065,298)                | (152,360)         | 912,938                           |
| <b>Other Financing Sources/(Uses):</b>   |                       |              |                                   |                            |                   |                                   |
| Transfers in   | -                     | -            | -                                 | 206,302                    | 896,643           | 690,341                           |
| Transfers out  | -                     | -            | -                                 | (1,547,164)                | (952,218)         | 594,946                           |
| Advances in  | -                     | -            | -                                 | 42,995                     | 98,937            | 55,942                            |
| Advances out   | -                     | -            | -                                 | (111,060)                  | (111,037)         | 23                                |
| Sale of fixed assets   | -                     | -            | -                                 | -                          | 2,016             | 2,016                             |
| Refund of prior year receipts  | -                     | -            | -                                 | (836)                      | (836)             | -                                 |
| Refund of prior year expenditures  | -                     | -            | -                                 | -                          | 43,058            | 43,058                            |
| <b>Total Other Financing Sources/(Uses)</b>  | <b>-</b>              | <b>-</b>     | <b>-</b>                          | <b>(1,409,763)</b>         | <b>(23,437)</b>   | <b>1,386,326</b>                  |
| Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses | 1,467                 | 2,865        | 1,398                             | (2,475,061)                | (175,797)         | 2,299,264                         |
| Fund Balance/(Deficit) July 1  | 753                   | 753          | -                                 | 6,054,788                  | 6,054,787         | -                                 |
| Prior year encumbrances appropriated   | 1                     | 1            | -                                 | 981,308                    | 981,308           | -                                 |
| <b>Fund Balance/(Deficit) June 30</b>  | <b>\$ 2,221</b>       | <b>3,619</b> | <b>1,398</b>                      | <b>4,561,035</b>           | <b>6,860,298</b>  | <b>2,299,264</b>                  |

See accompanying notes to the general purpose financial statements



**PORT CLINTON CITY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**All Proprietary Fund Types and Similar Trust Fund**  
**For the Year Ended June 30, 1999**

|   | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary<br/>Fund Type</u> | <u>Total<br/>(Memorandum<br/>Only)</u> |
|---|----------------------------------|--------------------------------|--|
|   | <u>Enterprise</u>                | <u>Non-Exp.<br/>Trust</u>      |  |
| <b><u>Operating revenues:</u></b>               |                                  |                                |  |
| Food services                                   | \$ 300,951                       | -                              | 300,951                                |
| Tuition and fees                                | 50                               | -                              | 50                                     |
| Extracurricular activities                      | 56,913                           | -                              | 56,913                                 |
| Interest  | -                                | 755                            | 755                                    |
|   | <hr/>                            | <hr/>                          | <hr/>                                  |
| Total Operating Revenues                        | 357,914                          | 755                            | 358,669                                |
| <b><u>Operating expenses:</u></b>               |                                  |                                |  |
| Salaries  | 265,714                          | -                              | 265,714                                |
| Fringe benefits                                 | 106,788                          | -                              | 106,788                                |
| Purchased services                              | 80,306                           | -                              | 80,306                                 |
| Materials and supplies                          | 226,036                          | -                              | 226,036                                |
| Depreciation expense                            | 5,026                            | -                              | 5,026                                  |
| Other operating expenses                        | -                                | 500                            | 500                                    |
|   | <hr/>                            | <hr/>                          | <hr/>                                  |
| Total Operating Expenses                        | 683,870                          | 500                            | 684,370                                |
| Operating Income/(Loss)                         | (325,956)                        | 255                            | (325,701)                              |
| <b><u>Nonoperating revenues/(expenses):</u></b> |                                  |                                |  |
| Federal donated commodities                     | 28,790                           | -                              | 28,790                                 |
| Grants  | 140,194                          | -                              | 140,194                                |
| Interest  | 812                              | -                              | 812                                    |
| Other non-operating revenues                    | 94,772                           | -                              | 94,772                                 |
|   | <hr/>                            | <hr/>                          | <hr/>                                  |
| Total Nonoperating revenues/(expenses)          | 264,568                          | -                              | 264,568                                |
| Income (Loss) Before Operating Transfers        | (61,388)                         | 255                            | (61,133)                               |
| Operating transfers in                          | 55,575                           | -                              | 55,575                                 |
| Net Income/(Loss)                               | (5,813)                          | 255                            | (5,558)                                |
| Retained Earnings/(Deficit) - July 1            | 67,736                           | 14,911                         | 82,647                                 |
|   | <hr/>                            | <hr/>                          | <hr/>                                  |
| Retained Earnings/(Deficit) - June 30           | \$ 61,923                        | 15,166                         | 77,089                                 |

See accompanying notes to the general purpose financial statements

**PORT CLINTON CITY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF CHANGES IN CASH FLOWS**  
All Proprietary Fund Types and Similar Trust Fund  
For the Year Ended June 30, 1999

|  | Proprietary<br>Fund Type | Fiduciary<br>Fund Type<br>Non-Exp.<br>Trust | Total     |
|--|--------------------------|---|-----------|
|  | Enterprise               | Trust                                       | Total     |
| <b>Cash flows from operating activities:</b>   |                          |   |           |
| Net operating income/(loss)  | \$ (325,956)             | 255   | (325,701) |
| Adjustments to reconcile net income/<br>(loss) to net cash provided/(used)<br>by operating activities: |                          |   |           |
| Commodities expense related to noncash grant   | 28,790                   | -   | 28,790    |
| Depreciation   | 5,026                    | -   | 5,026     |
| (Increase)/decrease in assets:   |                          |   |           |
| Accounts receivable  | 1,318                    | -   | 1,318     |
| Due from other governments   | (18,171)                 | -   | (18,171)  |
| Prepaid items  | 808                      | -   | 808       |
| Inventories  | 2,450                    | -   | 2,450     |
| Increase/(decrease) in liabilities:  |                          |   |           |
| Accounts payable   | 18,340                   | -   | 18,340    |
| Accrued wages and benefits   | (772)                    | -   | (772)     |
| Compensated absences payable   | 3,368                    | -   | 3,368     |
| Pension obligation payable   | 16,011                   | -   | 16,011    |
| Interfund payable  | 12,100                   | -   | 12,100    |
| Due to other governments   | (4,027)                  | -   | (4,027)   |
| Net cash provided/(used) for<br>operating activities   | \$ (260,715)             | 255   | (260,460) |
| <b>Cash flows from noncapital financing activities:</b>  |                          |   |           |
| Grants   | \$ 140,194               | -   | 140,194   |
| Interest   | 812                      | -   | 812       |
| Transfers in   | 55,575                   | -   | 55,575    |
| Other non-operating revenues   | 94,772                   | -   | 94,772    |
| Net cash provided/(used) for<br>noncapital financing activities  | \$ 291,353               | -   | 291,353   |
| Net increase/(decrease) in cash<br>and cash equivalents  | \$ 30,638                | 255   | 30,893    |
| Cash and cash equivalents, 7/1/98  | 42,423                   | 14,911                                      | 57,334    |
| Cash and cash equivalents, 6/30/99   | \$ 73,061                | 15,166                                      | 88,227    |

See accompanying notes to the general purpose financial statements

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established through the consolidation of existing land areas and school districts. The School 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 92 non-certificated employees, 176 certificated full-time teaching personnel provide services to 2,070 students and other community members. The School District currently operates 6 instructional buildings, 1 administrative building, and 1 garage.

*Reporting Entity:*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Port Clinton City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization, or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent of the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

Based on the above description, there are no component units within the School District.

The following activities are included within the reporting entity:

Parochial Schools - Within the School 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 School District, as directed by the parochial school.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

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

The financial statements of the Port Clinton City School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups 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 School 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 restrictions or limitations. An account group is a financial reporting device designed to provided for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types".

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental funds types:

*General Fund* - The General fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Governmental Fund Types:* (continued)

*Debt Service Funds* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

*Proprietary Fund Types:*

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for the School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District, except those accounted for in the proprietary or trust funds.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available in the County Auditor's Office, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred 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 the governmental funds.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entail 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 appropriations 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 primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made of resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ottawa County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

*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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, 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 budget figures which appear in the statements 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, other than agency 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. Expenditures plus encumbrances may not legally exceed appropriations. 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 and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal 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.

D. Cash and Cash Equivalents

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



**PORT CLINTON CITY SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended June 30, 1999**

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

**D. Cash and Cash Equivalents (continued)**

During fiscal year 1999, investments were limited to repurchase agreements, STAR Ohio, and certificates of deposit.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund is \$479,505, to the special revenue fund is \$2,654, to the capital project fund is \$1,671, to the enterprise fund is \$812, to the expendable trust fund is \$175, and to the non-expendable trust fund is \$755.

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

For purposes of the combined statement of cash flows and for presentation on the combined 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 School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. 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 expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, 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.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them, instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (on estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over the following estimated useful lives.

| <u>Asset</u>                      | <u>Life (Years)</u> |
|-----------------------------------|---------------------|
| Cash registers/vehicles/equipment | 8                   |
| Kitchen equipment                 | 20                  |

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlement and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are carried and become measurable.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available resources, since they are not a component of net current assets.

J. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16 "Accounting for Compensated Absences". Sick leave benefits are accrued as a liability using the vesting method. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Accrued Liabilities and Long-Term Obligations

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, compensated absences, contractually required pension contributions, and Workers Compensation that will be paid from governmental funds are reported as a liability in the General Long-Term Debt Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Debt Account Group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of short-term liabilities in the funds that received the proceeds.

L. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as "other financing sources," net of the applicable premium or discounts. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Advances- in do not equal advances-out since Enterprise Fund budgetary activity is not reflected in the accompanying financial statements

N. Estimates

The preparation of 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.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for 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 equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid items, property taxes and the budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

P. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1993, the exact amount of contributed capital cannot be determined.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**PORT CLINTON CITY SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended June 30, 1999**

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)**

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over/(Under) Expenditures and Other Financing Uses -  
All Governmental Fund Types and Similar Trust Funds

|                      | General               | Special<br>Revenue | Debt<br>Service   | Capital<br>Projects | Expendable<br>Trust |
|----------------------|-----------------------|--------------------|-------------------|---------------------|---------------------|
| GAAP Basis           | \$ 117,949            | \$ 623,757         | \$ 334,233        | \$ (26,950)         | \$ 4,490            |
| Revenue Accruals     | (105,592)             | 133,341            | (23,611)          | 167                 | -                   |
| Expenditure Accruals | 60,537                | 18,654             | -                 | (3,764)             | 674                 |
| Encumbrances         | <u>(1,170,671)</u>    | <u>(119,969)</u>   | <u>-</u>          | <u>(16,743)</u>     | <u>(2,299)</u>      |
| Budget Basis         | <u>\$ (1,097,777)</u> | <u>\$ 655,783</u>  | <u>\$ 310,622</u> | <u>\$ (47,290)</u>  | <u>\$ 2,865</u>     |

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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 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;

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the School 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 money deposited with the institution.

**PORT CLINTON CITY SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended June 30, 1999**

**NOTE 4 - DEPOSITS AND INVESTMENTS (continued)**

At fiscal year end, the School District had \$850 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in pooled cash and investments".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits (excluding change funds of \$1,882) was \$7,016,144 and the bank balance was \$7,224,109. Of the bank balance, \$202,859 was covered by federal depository insurance and \$7,021,250 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

|                      | Category 1 | Category 2 | Category 3        | Fair Value          |
|----------------------|------------|------------|-------------------|---------------------|
| Repurchase Agreement | --         | --         | \$ 173,378        | \$ 173,378          |
| STAR Ohio            | --         | --         | --                | 1,150,937           |
| Totals               | <u>--</u>  | <u>--</u>  | <u>\$ 173,378</u> | <u>\$ 1,324,315</u> |

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

|                                      | Cash and Cash<br>Equivalents/Deposits | Investments         |
|--------------------------------------|---------------------------------------|---------------------|
| GASB Statement 9                     | \$ 1,342,341                          | \$ 7,000,000        |
| Cash on Hand                         | (1,882)                               |                     |
| Investments:                         |                                       |                     |
| Certificates of Deposit over 90 days | 7,000,000                             | (7,000,000)         |
| Repurchase Agreement                 | (173,378)                             | 173,378             |
| STAR Ohio                            | (1,150,937)                           | 1,150,937           |
| GASB Statement 3                     | <u>\$ 7,016,144</u>                   | <u>\$ 1,324,315</u> |



**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at true value (normally 50 percent of cost, with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 32 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, if paid semi-annually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate applied to real property for the fiscal year ended June 30, 1999 was \$60.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$27.62 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$29.65 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

The rate applied to tangible personal property for the fiscal year ended June 30, 1999 was \$60.00 per \$1,000 of assessed valuation.

The School District receives property taxes from Ottawa County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1998 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$1,427,747 in the General Fund, \$172,920 in the Debt Service Fund and \$59,970 in the Capital Projects Fund.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 5 - PROPERTY TAXES** (continued)

The assessed values upon which fiscal year 1999 taxes were collected are:

|                                  | 1998               | 1997               |
|----------------------------------|--------------------|--------------------|
| Real Property -                  |                    |                    |
| Residential/Agricultural         | \$ 248,586,090     | \$ 207,336,020     |
| Other                            | 72,165,390         | 56,567,350         |
| Public Utilities                 | 75,850             | 70,310             |
| <br>Tangible Personal Property - |                    |                    |
| Personal                         | 43,687,877         | 34,828,328         |
| Public Utilities                 | 25,955,520         | 26,503,600         |
| <br>Total Valuation              | <br>\$ 390,470,727 | <br>\$ 325,305,608 |

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

A summary of the Due from other governments follows:

Enterprise Fund

Due from other governments:

Food Service \$ 36,679

Total Enterprise Fund 36,679

Total Due from other governments \$ 36,679

**PORT CLINTON CITY SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended June 30, 1999**

**NOTE 7 - FIXED ASSETS**

A summary of the Enterprise Funds' fixed assets at June 30, 1999 follows:

|                               |                  |
|-------------------------------|------------------|
| Furniture and Equipment       | \$ 110,937       |
| Less Accumulated Depreciation | <u>(82,657)</u>  |
| Net Fixed Assets              | <u>\$ 28,280</u> |

A summary of the changes in general fixed assets during fiscal year 1999 follows:

| <u>Asset Category</u>      | <u>Balance<br/>at<br/>6/30/98</u> | <u>Additions</u>  | <u>Deletions</u>   | <u>Balance<br/>at<br/>6/30/99</u> |
|----------------------------|-----------------------------------|-------------------|--------------------|-----------------------------------|
| Land and Improvements      | 102,165                           | -                 | -                  | \$ 102,165                        |
| Buildings and Improvements | 9,099,527                         | -                 | -                  | 9,099,527                         |
| Equipment/Vehicles         | <u>\$ 3,631,691</u>               | <u>\$ 500,083</u> | <u>\$(482,141)</u> | <u>3,649,633</u>                  |
| Total General Fixed Assets | <u>\$12,833,383</u>               | <u>\$ 500,083</u> | <u>\$(482,141)</u> | <u>\$12,851,325</u>               |

**NOTE 8 - RISK MANAGEMENT**

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 1999, 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> |
|--|---------------|-------------------|
| Building and Contents                      | \$41,971,000  | \$ 1,000          |
| Extra Expense                              | 5,000         | -                 |
| Valuable Papers                            | 5,000         | -                 |
| Non-bus vehicles - liability - bodily inj. | (a)           | -                 |
| liability - Property damage                | (a)           | -                 |
| Non-bus vehicles - uninsured motorists     | 1,000,000     | -                 |
| Physical damage                            | cash value    | -                 |
| Bus vehicles - liability                   | 2,000,000     | -                 |
| uninsured motorists                        | 1,000,000     | -                 |

(a) Non-bus vehicle liability insurance is limited to \$5,000,000 in the aggregate and \$1,000,000 per incident.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 8 - RISK MANAGEMENT** (continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the School 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.

The District joined together with other governments to form the Ohio School Board Association Worker's Compensation Group Rating Program, a public entity currently operating as a common risk management and insurance program for workers' compensation. The District pays an annual premium to the pool for its workers compensation coverage. See Note 14 for further description.

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association, whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$321,828, \$301,118, and \$289,279, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$160,914 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**B. State Teachers Retirement System**

The Port Clinton City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent, 10.5 percent was the portion used for fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$991,184, \$1,148,092, and \$974,331, respectively. 83.4 percent has been contributed for 1999 and 100 percent has been contributed for 1998 and 1997. \$164,724 represents the unpaid contributions for fiscal year 1999 and is recorded as a liability within the respective funds.

**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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 1998 (the latest information available) the Board allocated employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$247,796 during fiscal 1999. The Health Care Reserve Fund allocation for the fiscal year ended June 30, 1999 will be 8%.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the year ended June 30, 1998 (the latest information available) employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year ended June 30, 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$114,474 during the 1999 fiscal year.

NOTE 11 - EMPLOYEE BENEFITS

A. Sick Leave

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract. Sick leave is cumulative to two hundred fifty-five (255) days.

B. Service Retirement

Certified Employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Severance payment is based on the total number of days of unused sick leave, up to a maximum of 255 days, multiplied by 1/4 (.25) and then that number will be multiplied by the daily rate the teacher is currently receiving to determine the total severance pay. Employees must have ten years service with the State of Ohio Retirement system.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 11 - EMPLOYEE BENEFITS (continued)

B. Service Retirement (continued)

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 thirty-six (36) days at the employee's per diem rate and from the thirty-seventh (37) day on, the employee shall be paid at ten percent (10%) of his/her per diem rate. Employees must have ten years service with the State of Ohio Retirement system.

Secretaries are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the secretaries' accrued but unused sick leave days at the time of retirement of which payment is based on the total number of days of unused sick leave, up to a maximum of 255 days will be multiplied by 1/4 (.25) and then that number will be multiplied by the daily rate the secretary is currently receiving to determine the total severance pay.

Administrative employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the administrative employee's accrued but unused sick leave days at the time of retirement of which payment is based on the total number of days of unused sick leave, up to a maximum of 255 days will be multiplied by 1/4 (.25) and then that number will be multiplied by the daily rate the administrator/supervisor is 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 is determined through negotiated agreements.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 12 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

|  | Amount<br>Outstanding<br><u>6/30/98</u> | <u>Additions</u>  | <u>Deductions</u>   | Amount<br>Outstanding<br><u>6/30/99</u> |
|--|---|-------------------|---------------------|---|
| Bonds - Series 1989<br>7/7/93 5.248%   | \$ 4,614,957                            | ---               | \$ (425,000)        | \$ 4,189,957                            |
| Bonds - Series 1992<br>6/1/92 6.250%   | 415,000                                 | ---               | ( 80,000)           | 335,000                                 |
| Bonds - Series 1993<br>7/7/93 5.248%   | <u>895,000</u>                          | ---               | <u>( 75,000)</u>    | <u>820,000</u>                          |
| Total Long-Term Bonds                  | 5,924,957                               | ---               | (580,000)           | 5,344,957                               |
| Capital Lease Payable                  | 1,122                                   | ---               | ( 1,122)            | ---                                     |
| Pension Obligation                     | 103,600                                 | \$ 110,122        | (103,600)           | 110,122                                 |
| Worker's Compensation                  | 54,100                                  | ---               | ( 54,100)           | ---                                     |
| Compensated Absences                   | <u>1,221,304</u>                        | ---               | <u>( 77,639)</u>    | <u>1,143,665</u>                        |
| Total General Long Term<br>Obligations | <u>\$ 7,305,083</u>                     | <u>\$ 110,122</u> | <u>\$ (816,461)</u> | <u>\$ 6,598,744</u>                     |

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The current year activity for compensated absences is netted for practical purposes.

The School District's voted legal debt margin was \$31,634,424 with an unvoted debt margin of \$390,471 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999 are as follows.

| <u>Year</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Totals</u>       |
|-------------|---------------------|---------------------|---------------------|
| 2000        | \$ 257,429          | \$ 499,068          | \$ 756,497          |
| 2001        | 242,857             | 625,404             | 868,261             |
| 2002        | 230,831             | 638,142             | 868,973             |
| 2003        | 224,216             | 634,879             | 859,095             |
| 2004        | 114,624             | 637,306             | 751,930             |
| 2005 - 2009 | 2,900,000           | 783,443             | 3,683,443           |
| 2010 - 2012 | <u>1,375,000</u>    | <u>91,713</u>       | <u>1,466,713</u>    |
| Totals      | <u>\$ 5,344,957</u> | <u>\$ 3,909,955</u> | <u>\$ 9,254,912</u> |



**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, adult education, and champions for children. The table below reflects the more significant financial data relating to the enterprise funds of the Port Clinton City School District as of and for the fiscal year ended June 30, 1999.

|                         | <u>Food</u><br><u>Service</u> | <u>Uniform</u><br><u>School</u><br><u>Supplies</u> | <u>Adult</u><br><u>Education</u> | <u>Champions</u><br><u>For</u><br><u>Children</u> | <u>Total</u><br><u>Enterprise</u><br><u>Funds</u> |
|-------------------------|-------------------------------|--|----------------------------------|---|---|
| Operating Revenues      | \$ 300,951                    | \$ 56,913  | \$ 50                            | -   | \$ 357,914  |
| Operating Expenses less |                               |  |                                  |   |   |
| Depreciation            | 525,775                       | 68,870   | -                                | \$ 84,199   | 678,844   |
| Depreciation Expense    | 5,026                         | -  | -                                | -   | 5,026   |
| Operating Income (Loss) | (229,850)                     | (11,957)   | 50                               | (84,199)  | (325,956)   |
| Donated Commodities     | 28,790                        | -  | -                                | -   | 28,790  |
| Grants                  | 138,275                       | -  | -                                | 1,919   | 140,194   |
| Interest                | 20                            | -  | -                                | 792   | 812   |
| Non-operating Revenues  | -                             | 15,513   | -                                | 79,259  | 94,772  |
| Operating Transfers     | 55,575                        | -  | -                                | -   | 55,575  |
| Net Income (Loss)       | (7,190)                       | 3,556  | 50                               | (2,229)   | (5,813)   |
| Net Working Capital     | 23,830                        | 8,332  | 7                                | 15,939  | 48,108  |
| Total Assets            | 126,393                       | 8,504  | 7                                | 19,526  | 154,430   |
| Total Equity            | 37,645                        | 8,332  | 7                                | 15,939  | 61,923  |
| Encumbrances            |                               |  |                                  |   |   |
| Outstanding at 6/30/99  | 43,664                        | 1,239  | -                                | 5,532   | 50,435  |

**NOTE 14 - INSURANCE PURCHASING POOL**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 School Boards Association. The Executive Director of the OSBA, 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 School District by virtue of its grouping and representation with other participants in the GRP.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 14 - INSURANCE PURCHASING POOL (continued)

The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school district in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates, McDonald & Co. provides administrative, cost control and actuarial services to the GRP. In accordance with the above, the OSBA Group Rating Program has not been included as a component unit of the reporting entity.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments

The Bay Area Council of Governments is a jointly governed organization. Members of the organization consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments is natural gas and insurance. The only cost to the district is an administrative charge if they participate in purchasing through the council. The Bay Area Council of Governments consists of the superintendent of each school district. The Board of Directors of the Bay Area Council of Governments consists of one elected representative of each county and the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. In accordance with the above, the Bay Area Council of Governments has not been included as a component unit of the reporting entity.

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 possesses its own budgeting and taxing authority. Accordingly, the Vanguard-Sentinel Joint Vocational School is not part of the Port Clinton City School District and its operations are not included as part of the reporting entity. 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**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. In accordance with the above, the Northern Ohio Educational Computer Association has not been included as a component unit of the reporting entity.

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 school district for operational subsidies. In accordance with the above, the Ida Rupp Public Library has not been included as a component unit of the reporting entity.

NOTE 17 - SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$2,917,080 of school foundation support for its General fund and \$26,855 of support for its Special Revenue - DPIA fund.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 17 - SCHOOL FUNDING DECISION (continued)

Since the supreme court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined that they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws the the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this Program and on its financial operations.

NOTE 18 - CONTINGENCIES

A. Grants

The School 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 is 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 School District at June 30, 1999.

B. Litigation

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

NOTE 19 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting; the State of Ohio Uniform Payroll System Software for its payroll and employee benefits; the State Education Management and Information System (EMIS) for its educational statistics reporting. The State is responsible for remediating these systems.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 19 - YEAR 2000 ISSUE (continued)

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems, and is solely responsible for any costs associated.

Ohio Edison provides the electricity to the School District. Ohio Edison is responsible for remediating this systems, and is solely responsible for any costs associated.

The City of Port Clinton provides water and sewer services to the School District, and Columbia Gas of Ohio (CGO) provides gas service. The City and CGO are responsible for remediating these systems, and are solely responsible for any costs associated.

The heating and air-conditioning systems, all computer equipment, clock systems, fire alarm systems, and vocational equipment vendors have confirmed these items have been tested and validated. They believe these systems to be year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be year 2000 ready, that the School District's remediation efforts will be successful in whole or part, or that parties with whom the School District does business will be year 2000 ready.

NOTE 20 - SET-ASIDE REQUIREMENTS

The District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted sources must be held in cash at year-end and carried forward to be used for the same purpose in future years. Amounts are also to be set aside if the District's base amount used for the yearly set-aside calculation increases three percent (3%) or more from the prior year. This amount is included in the budget stabilization reserve.

The following information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

**PORT CLINTON CITY SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 20 - SET-ASIDE REQUIREMENTS (continued)

|  | <u>Textbooks</u> | <u>Capital<br/>Improvements</u> | <u>Budget<br/>reserve</u> | <u>Total</u>  |
|--|------------------|---------------------------------|---------------------------|---------------|
| Set aside balance as of June 30, 1998  | --               | --                              | \$ 86,386                 | \$ 86,386     |
| Current year set-aside requirement     | --               | --                              | --                        | --            |
| Qualifying expenditures                | \$(759,264)      | \$ (356,725)                    | --                        | \$(1,115,989) |
| Totals                                 | \$(759,264)      | \$ (356,725)                    | \$ 86,386                 | \$(1,029,603) |
| Cash balance carried forward to FY2000 | --               | --                              | \$ 86,386                 | \$ 86,386     |
| Amount restricted for budget reserve   |                  |                                 |                           | \$ 86,386     |
| Total restricted assets                |                  |                                 |                           | \$ 86,386     |

Although the District had qualifying expenditures during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are not presented as being carried forward to the next fiscal year.

NOTE 21 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 1999, the School District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." The statement established accounting policies for deferred compensation plans set up in a trust. The implementation of GASB Statement No. 32 had no effect on fund balance/retained earnings as it was previously reported as of June 30, 1998.

NOTE 22 - SUBSEQUENT EVENT

On November 2, 1999, the School District passed a 2.3 mill renewal levy, of which is general operating levy. This levy will generate approximately \$300,000 in the general fund. Collections will start in January 2000.

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**PORT CLINTON CITY SCHOOL DISTRICT**

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 1999

| Federal Grantor/Pass Through<br>Grantor Number/Program Title | Pass Through<br>Entity Number | CFDA<br>Number | Federal<br>Receipts | Federal<br>Expenditures |
|--|-------------------------------|----------------|---------------------|-------------------------|
| <u>U.S. Department of Agriculture</u>                        |                               |                |                     |                         |
| Pass through State Department of Education:                  |                               |                |                     |                         |
| Nutrition Cluster:   |                               |                |                     |                         |
| Government Donated Foods (Note 2)                            | n/a                           | 10.550         | \$ 28,790           | 28,773                  |
| National School Lunch Program                                | 044651-03/04-PU 97/98         | 10.555         | 107,023             | 107,023                 |
| National School Breakfast Program                            | 044651-05-PU 98               | 10.553         | 5,570               | 5,570                   |
| Total U.S. Department of Agriculture - Nutrition Cluster     |                               |                | \$ 141,383          | 141,366                 |
| <u>U.S. Department of Education</u>                          |                               |                |                     |                         |
| Pass through State Department of Education:                  |                               |                |                     |                         |
| Title I - FY 98  | 04465-C1-S1-98                | 84.010         | \$ 111,020          | 114,032                 |
| Title I - FY 99  | 04465-C1-S1-99                | 84.010         | 281,998             | 235,925                 |
| Title I - Carryover  | 04465-C1-S1-98C               | 84.010         | 27,989              | 27,989                  |
| Total Title I  |                               |                | 421,007             | 377,946                 |
| Title II - FY 98   | 044651-C2-S1-98               | 84.164         | -                   | 8,712                   |
| Title II - FY 99   | 044651-C2-S1-98               | 84.164         | -                   | 2,745                   |
| Title II - FY 99   | 044651-C2-S1-99               | 84.164         | 10,111              | 134                     |
| Title II - Carryover   | 044651-C2-S1-98C              | 84.164         | 5,713               | 2,758                   |
| Total Title II   |                               |                | 15,824              | 14,349                  |
| Title VIB Handicapped - FY 98                                | 04465-6B-SF-98P               | 84.027         | 21,064              | 23,749                  |
| Title VIB Handicapped - FY 99                                | 04465-6B-SF-99P               | 84.027         | 113,524             | 105,559                 |
| Total Title VIB Handicapped                                  |                               |                | 134,588             | 129,308                 |
| Chapter II - FY 99   | 04465-C2-S1-99                | 84.151         | 8,511               | 8,511                   |
| Total Chapter II   |                               |                | 8,511               | 8,511                   |
| Drug-Free Grant - FY 98                                      | 04465-DR-S1-98                | 84.186         | -                   | 2,312                   |
| Drug-Free Grant - FY 99                                      | 04465-DR-S1-99                | 84.186         | 11,014              | 9,180                   |
| Total Drug-Free Grant  |                               |                | 11,014              | 11,492                  |
| Total U.S. Department of Education                           |                               |                | \$ 590,944          | 541,606                 |
| Total Federal Financial Assistance                           |                               |                | \$ 732,327          | 682,972                 |

See accompanying notes to the Schedule of Federal Awards Expenditures



**PORT CLINTON CITY SCHOOL DISTRICT**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 1999**

1. **Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

2. **Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities in inventory recorded in the Enterprise Fund.

614 Superior Avenue, N.W.  
Rockefeller Building, Suite 1242  
Cleveland, Ohio 44113  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Port Clinton City School District  
Port Clinton, Ohio

We have audited the general purpose financial statements of the Port Clinton City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated December 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated December 20, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Education, federal awarding agencies and pass - through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E Harris & Associates*

*Charles E. Harris & Associates*  
December 20, 1999

614 Superior Avenue, N.W.  
Rockefeller Building, Suite 1242  
Cleveland, Ohio 44113  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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*Certified Public Accountants*

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Education  
Port Clinton City School District  
Port Clinton, Ohio**

**Compliance**

We have audited the compliance of the Port Clinton City School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris & Associates*

*Charles E. Harris & Associates*  
December 20, 1999

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY  
JUNE 30, 1999**

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

|              |  |   |
|--------------|--|---|
| (d)(1)(i)    | Type of Financial Statement Opinion  | Unqualified                               |
| (d)(1)(ii)   | Were there any material control weakness conditions reported at the financial statement level (GAGAS)?         | No  |
| (d)(1)(ii)   | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No  |
| (d)(1)(iii)  | Was there any reported material non-compliance at the financial statement level (GAGAS)?                       | No  |
| (d)(1)(iv)   | Were there any material internal control weakness conditions reported for major federal programs?              | No  |
| (d)(1)(iv)   | Were there any other reportable internal control weakness conditions reported for major federal programs?      | No  |
| (d)(1)(v)    | Type of Major Programs' Compliance Opinion   | Unqualified                               |
| (d)(1)(vi)   | Are there any reportable findings under Section .510   | No  |
| (d)(1)(vii)  | Major Programs:  | Title I CFDA 84.010                       |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs  | Type A: > \$300,000<br>Type B: all others |
| (d)(1)(ix)   | Low Risk Auditee?  | Yes                                       |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)  
OMB CIRCULAR A-133 SECTION .505

PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY  
JUNE 30, 1999

**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.

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, as of June 30, 1998, did not include material citations or recommendations.



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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

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.

By: Susan Babbitt

Date: FEBRUARY 3, 2000