

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Port Clinton City School District, Ottawa County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Port Clinton City School District, Ottawa County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

May 20, 2009

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The discussion and analysis of Port Clinton City School District's ("School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

**Overall:**

- For governmental activities, net assets increased \$2,689,214, which represents a 36 percent increase from 2007. Unrestricted grant revenue increased by \$595,474 which represents the primary increase of net assets.
- General revenues accounted for \$20,922,881, in revenue or 88 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,772,871 or 12 percent of total governmental revenues of \$23,695,752.
- The School District had \$21,006,538 in expenses related to governmental activities; only \$2,772,871 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$20,922,881 were adequate to provide for these programs.
- The major fund, the general fund had \$20,219,095 in revenues (exclusive of revenue from other financing sources) and \$18,027,661 in expenditures (exclusive of other financing uses). The general fund's fund balance increased to \$6,445,167 from \$4,777,377. The School District is in the early cycle of a recently passed tax levy, which will contribute to the stabilizing of the general fund.

**Using this Annual Report**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Port Clinton City School District, the general fund is by far the most significant fund.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Reporting the School District as a Whole**

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

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District only had one type of activity:

- Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

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

**Fund Financial Statements**

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions, however, these financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

**Governmental Funds** All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.



**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**The School District as a Whole**

**Governmental Activities**

Table 1 shows net assets for fiscal year 2008 compared to 2007.

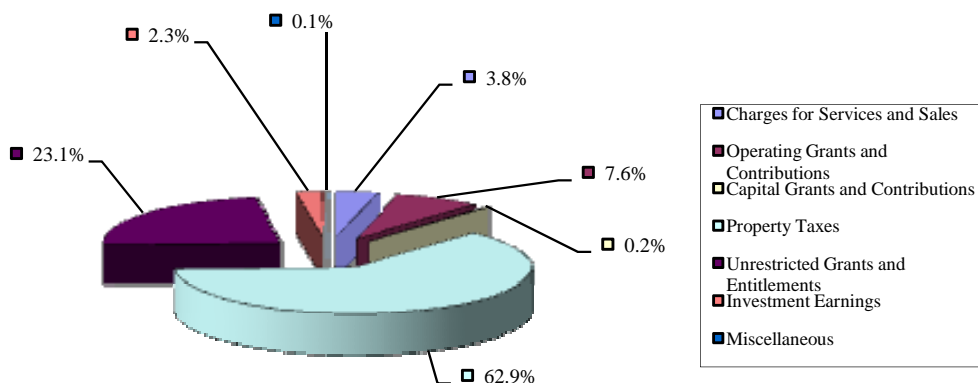
<b>Net Assets</b>		
<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>
<b>Assets:</b>		
Current and Other Assets	\$26,494,580	\$23,730,361
Capital Assets	3,337,498	3,174,428
<b>Total Assets</b>	<b>29,832,078</b>	<b>26,904,789</b>
<b>Liabilities:</b>		
Current Liabilities	15,440,853	14,682,949
Long-Term Liabilities	4,329,224	4,849,053
<b>Total Liabilities</b>	<b>19,770,077</b>	<b>19,532,002</b>
<b>Net Assets:</b>		
Invested in Capital Assets	2,021,435	1,103,527
Restricted	4,058,829	4,219,262
Unrestricted	3,981,737	2,049,998
<b>Total Net Assets</b>	<b>\$10,062,001</b>	<b>\$ 7,372,787</b>

Total assets increased by \$2,927,289. This increase is mainly due to an increase in cash and delinquent property taxes. Total liabilities increased by \$238,075 and was primarily a result of increase in unearned revenue.

What are the School District's Revenue Sources?

The following pie graph provides a summary of the School District's Governmental Activities revenue sources for 2008.

**Revenues - Percentage View**

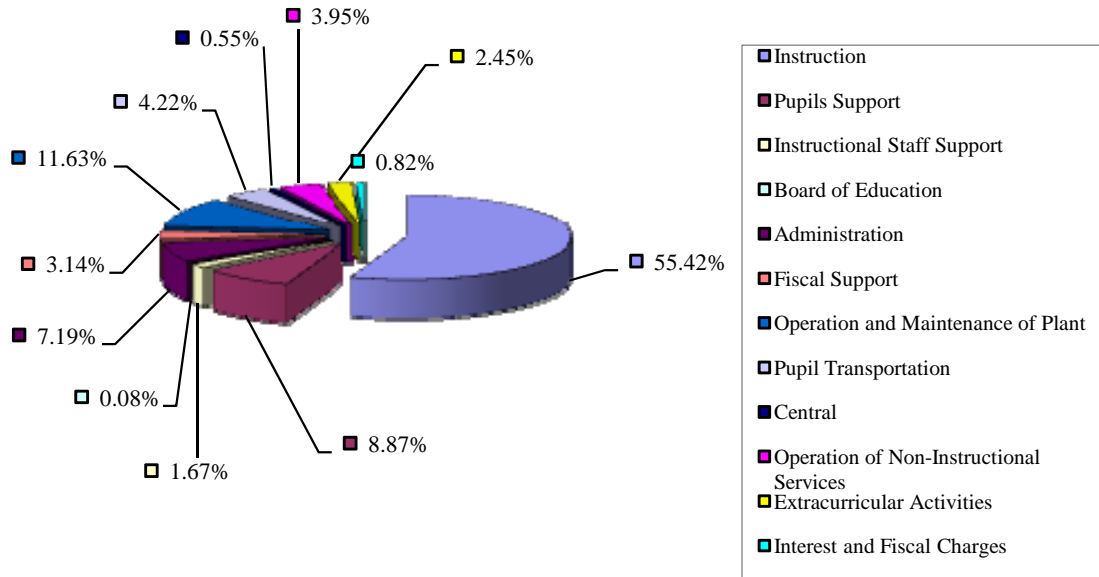


PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)

Where does the School District spend its revenues?

### Expenses - Percentage View



The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 62.9 percent of revenue for governmental activities for Port Clinton City School District in fiscal year 2008, a slight decrease from prior years.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**(Table 2)  
Changes in Net Assets  
Governmental Activities**

	<b>2008</b>	<b>2007</b>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services and Sales	\$ 926,905	\$ 856,468
Operating Grants and Contributions	1,736,898	1,729,102
Capital Grants and Contributions	109,068	49,309
<b>General Revenues:</b>		
Property Taxes	14,602,609	14,240,932
Grants and Entitlements not Restricted to Specific Programs	5,819,569	5,224,095
Investment Earnings	384,466	517,855
Miscellaneous	116,237	26,533
Total Revenues	<u>23,695,752</u>	<u>22,644,294</u>
<b>Program Expenses:</b>		
<b>Instruction:</b>		
Regular	8,347,270	8,650,337
Special	1,871,129	1,623,896
Vocational	134,074	149,677
Other	1,481,406	1,260,013
<b>Support Services:</b>		
Pupils	1,865,607	1,869,434
Instructional Staff	364,346	352,549
Board of Education	20,551	16,706
Administration	1,362,271	1,515,470
Fiscal	657,148	662,309
Operation and Maintenance of Plant	2,309,508	2,452,144
Pupil Transportation	1,006,158	890,670
Central	119,714	115,924
Operation of Non-Instructional Services	736,120	832,276
Extracurricular Activities	564,837	516,557
Interest and Fiscal Charges	166,399	173,425
Total Expenses	<u>21,006,538</u>	<u>21,081,387</u>
Increase in Net Assets	<u>\$2,689,214</u>	<u>\$1,562,907</u>

**Governmental Activities**

Several revenues sources fund the School Districts governmental activities with grants and entitlements, such as the school foundation program. Grants and entitlements generated \$5,819,569 in 2008. General revenues from property taxes are the largest generator.

The Statement of Activities shows the cost of program services and charges for services and grants that offset those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**(Table 3)  
Total and Net Costs of Program Services  
Governmental Activities**

	<b>Total Cost Of Service 2008</b>	<b>Total Cost Of Service 2007</b>	<b>Net Cost Of Service 2008</b>	<b>Net Cost Of Service 2007</b>
Instruction	\$11,833,879	\$11,683,923	\$10,516,026	\$10,522,856
<b>Support Services:</b>				
Pupil and Instructional Staff	2,229,953	2,221,983	1,951,132	1,958,501
Board of Education, Administration Fiscal and Central	2,159,684	2,310,409	2,036,595	2,179,616
Operation and Maintenance of Plant	2,309,508	2,452,144	2,198,004	2,405,548
Pupil Transportation	1,006,158	890,670	986,602	865,929
Operation of Non-Instructional Services	736,120	832,276	(28,727)	(16,143)
Extracurricular Activities	564,837	516,557	407,636	356,776
Interest and Fiscal Charges	166,399	173,425	166,399	173,425
<b>Total</b>	<b><u>\$21,006,538</u></b>	<b><u>\$21,081,387</u></b>	<b><u>\$18,233,667</u></b>	<b><u>\$18,446,508</u></b>

**The School District's Funds**

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$23,772,763 and expenditures and other financing uses of \$22,215,037. The net change in fund balance for the year was most significant in the general fund, where the fund balance increased by \$1,667,790, or 35 percent, in fiscal year 2008.

The general fund had total revenues of \$20,219,095, which represents a \$983,849 increase from fiscal year 2007. The majority of this increase is the result of higher property taxes and grant revenue. Total expenditures were \$18,027,661, representing a \$11,621 decrease from the prior year.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2008 the School District amended its General Fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue, including other financing sources, was \$20,659,576, which was \$2,881,466 greater than the original budget estimates. Tax and intergovernmental revenue estimates were increased due to increases in actual tax and intergovernmental revenue received. Final appropriations, including other financing uses, of \$20,296,129 were \$2,515,424 lower than original budget appropriations of \$22,811,553. Personal services were lower than anticipated because of significant staff retirements. These positions were replaced with less expensive staff. Employee benefits and retirement services, which were based on 33 percent of salaries, also decreased. Health insurance cost increases were 50 percent less than anticipated. Purchased services declined because additional federal and state grant revenue was received to pay for these services. The planned purchase of a new bus for \$75,000 was postponed.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2008, the School District had \$3,337,498 (net) invested in land, buildings and improvements, furniture, equipment and vehicles.

Table 4 shows fiscal 2008 net capital asset balances for governmental type activities compared to the prior fiscal year.

**(Table 4)  
Capital Assets  
(Net of Accumulated Depreciation)**

	<b>Governmental Type Activities</b>	
	<b>2008</b>	<b>2007</b>
Land	\$ 58,517	\$ 58,517
Buildings and Improvements	2,800,408	2,521,566
Furniture, Equipment and Vehicles	478,573	594,345
<b>Totals</b>	<b>\$3,337,498</b>	<b>\$3,174,428</b>

The increase in capital assets is attributable to additional purchases expense exceeding depreciation expense. The School District continued its ongoing commitment to maintaining and improving its capital assets. For additional details, see Note 8.

**Debt**

At June 30, 2008, the School District had \$2,882,777 in outstanding debt with \$726,977 as the amount due within one year. For additional detail, see Note 13. Table 5 summarizes bonds and notes outstanding.

**(Table 5)  
Outstanding Debt at June 30,**

	<b>2008</b>	<b>2007</b>
2003 School Improvement Serial Bonds	\$1,345,000	\$2,010,000
Capital Appreciation Bonds	314,994	314,994
Accretion on Capital Appreciation Bonds	317,983	236,820
Unamortized premium	143,337	179,171
Refunding Loss	(97,937)	(122,422)
House Bill Note	859,400	953,400
<b>Total</b>	<b>\$2,882,777</b>	<b>\$3,571,963</b>

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Current Financial Related Activities**

Port Clinton City School District is strong financially. As the preceding information shows, the School District heavily depends on its property taxpayers. With the passage of a 3.89-mill operating levy and collection beginning in January 2004, the School District has been able to continue its education programs. The operating levy was renewed in March, 2008 for a five year period. However, financially the future is not without challenges.

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

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

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

Port Clinton City School District has committed itself to financial excellence for many years. The School District has received a Certificate of Achievement for Excellence in Financial Reporting for the past five years.

In addition, the School District's system of budgeting and internal controls is well regarded. In August, 2008 the School District was awarded the "making your tax dollar count" award from the office of Mary Taylor, CPA, Auditor of State. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District's Financial Management**

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,793,154
Cash and Cash Equivalents in Segregated Accounts	4,500
Investments	5,164,613
<b>Receivables:</b>	
Taxes	15,294,271
Accounts	6,745
Intergovernmental	8,252
Prepaid Items	151,473
Inventory Held for Resale	7,889
Materials and Supplies Inventory	18,286
Deferred Charges	45,397
Non-Depreciable Capital Assets	58,517
Depreciable Capital Assets, Net	3,278,981
Total Assets	29,832,078
 <b>Liabilities</b>	
Accounts Payable	12,942
Accrued Wages and Benefits	1,577,556
Intergovernmental Payable	509,679
Accrued Interest Payable	6,409
Unearned Revenue	13,211,495
Matured Compensated Absences Payable	122,772
<b>Long-Term Liabilities:</b>	
Due Within One Year	959,293
Due in More Than One Year	3,369,931
Total Liabilities	19,770,077
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,021,435
Restricted for Debt Service	2,350,733
Restricted for Capital Outlay	579,803
Restricted for Other Purposes	125,449
Restricted for Budgetary Reserve	86,386
Restricted for Severance Payments	840,121
Restricted for Grant Programs	45,067
Restricted for Student Activities	31,270
Unrestricted	3,981,737
Total Net Assets	\$10,062,001

*The accompanying notes are an integral part of the financial statements.*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
<b>Governmental Activities</b>				
<b>Instruction:</b>				
Regular	\$8,347,270	\$488,826	\$177,655	(\$7,680,789)
Special	1,871,129		650,905	(1,220,224)
Vocational	134,074			(134,074)
Other	1,481,406		467	(1,480,939)
<b>Support Services:</b>				
Pupils	1,865,607		274,378	(1,591,229)
Instructional Staff	364,346		4,443	(359,903)
Board of Education	20,551			(20,551)
Administration	1,362,271	24,300	41,164	(1,296,807)
Fiscal	657,148		18,679	(638,469)
Operation and Maintenance of Plant	2,309,508		9,425	\$102,079
Pupil Transportation	1,006,158		12,567	6,989
Central	119,714		38,946	(80,768)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	624,808	284,602	363,518	23,312
Community Services	111,312	1,350	115,377	5,415
Extracurricular Activities	564,837	127,827	29,374	(407,636)
Interest and Fiscal Charges	166,399			(166,399)
<b>Total Governmental Activities</b>	<b>\$21,006,538</b>	<b>\$926,905</b>	<b>\$1,736,898</b>	<b>\$109,068</b>
				<b>(18,233,667)</b>
<b>General Revenues</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				13,968,431
Capital Outlay				398,846
Debt Service				235,332
Grants and Entitlements not Restricted to Specific Programs				5,819,569
Investment Earnings				384,466
Miscellaneous				116,237
<b>Total General Revenues</b>				<b>20,922,881</b>
Change in Net Assets				2,689,214
Net Assets Beginning of Year				7,372,787
Net Assets End of Year				<b>\$10,062,001</b>

The accompanying notes are an integral part of the financial statements.



**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,437,661	\$4,238,003	\$5,675,664
Cash and Cash Equivalents in Segregated Accounts		4,500	4,500
Restricted Cash and Cash Equivalents	117,490		117,490
Investments	5,164,613		5,164,613
<b>Receivables:</b>			
Taxes	14,818,571	475,700	15,294,271
Accounts	6,745		6,745
Interfund	59,116		59,116
Intergovernmental		8,252	8,252
Prepaid Items	143,984	7,489	151,473
Inventory Held for Resale		7,889	7,889
Materials and Supplies Inventory	17,500	786	18,286
Total Assets	<u>21,765,680</u>	<u>4,742,619</u>	<u>26,508,299</u>
<b>Liabilities</b>			
Accounts Payable	10,636	2,306	12,942
Accrued Wages and Benefits	1,491,206	86,350	1,577,556
Interfund Payable		59,116	59,116
Intergovernmental Payable	464,421	45,258	509,679
Deferred Revenue	13,354,250	412,450	13,766,700
Matured Compensated Absences Payable		122,772	122,772
Total Liabilities	<u>15,320,513</u>	<u>728,252</u>	<u>16,048,765</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	559,161	490,655	1,049,816
Reserved for Prepaid Items	143,984	7,489	151,473
Reserved for Property Taxes	1,464,321	63,250	1,527,571
Reserved for Bus Purchases	31,104		31,104
Reserved for BWC Refund	86,386		86,386
<b>Unreserved, Designated:</b>			
Designated for Severance Payments		805,063	805,063
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	4,160,211		4,160,211
Debt Service Fund		2,357,142	2,357,142
Special Revenue Funds		141,080	141,080
Capital Projects Funds		149,688	149,688
Total Fund Balances	<u>6,445,167</u>	<u>4,014,367</u>	<u>10,459,534</u>
Total Liabilities and Fund Balances	<u>\$21,765,680</u>	<u>\$4,742,619</u>	<u>\$26,508,299</u>

*The accompanying notes are an integral part of the financial statements.*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008**

Total Governmental Fund Balances	\$10,459,534
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**Amounts reported for governmental activities in the  
statement of net assets are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,337,498
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. Delinquent Property Taxes	555,205
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Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the bonds on the accrual basis.	
Issuance Costs	\$79,447
Accumulated Amortization	(34,050)
Total	45,397

In the statement of activities, bond refunding costs are amortized over the term of the bonds, whereas in governmental funds bond refunding expenditure is reported when bonds are issued.	97,937
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In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is not recorded.	(6,409)
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**Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the funds:**

HB 264 Energy Conservation Notes Payable	(859,400)
General Obligation Bonds	(1,345,000)
Capital Appreciation Bonds	(632,977)
Unamortized Bond Premium	(143,337)
Compensated Absences	(1,446,447)
Total	(4,427,161)

Net Assets of Governmental Activities	\$10,062,001
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*See accompanying notes and accountant's compilation report.*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property Taxes	\$13,506,497	\$637,630	\$14,144,127
Intergovernmental	5,846,577	1,770,469	7,617,046
Interest	381,540	2,926	384,466
Tuition and Fees	333,491	37,361	370,852
Rent	1,350		1,350
Extracurricular Activities		127,828	127,828
Gifts and Donations	175	48,314	48,489
Customer Sales and Services	48,311	378,564	426,875
Miscellaneous	101,154	3,234	104,388
<b>Total Revenues</b>	<b>20,219,095</b>	<b>3,006,326</b>	<b>23,225,421</b>
<b>Expenditures</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	7,693,988	472,932	8,166,920
Special	1,312,114	569,690	1,881,804
Vocational	133,579		133,579
Other	1,478,414	2,992	1,481,406
<b>Support Services:</b>			
Pupils	1,453,443	341,115	1,794,558
Instructional Staff	342,594	7,665	350,259
Board of Education	20,551		20,551
Administration	1,275,390	109,657	1,385,047
Fiscal	623,080	32,329	655,409
Operation and Maintenance of Plant	2,188,770	73,684	2,262,454
Pupil Transportation	931,931	24,839	956,770
Central	87,685	32,029	119,714
<b>Operation of Non-Instructional Services:</b>			
Food Service Operations		651,385	651,385
Community Services		118,107	118,107
Extracurricular Activities	357,757	207,080	564,837
Capital Outlay	128,365	162,687	291,052
<b>Debt Service:</b>			
Principal Retirement		759,000	759,000
Interest and Fiscal Charges		86,692	86,692
<b>Total Expenditures</b>	<b>18,027,661</b>	<b>3,651,883</b>	<b>21,679,544</b>
Excess of Revenues Over (Under) Expenditures	2,191,434	(645,557)	1,545,877
<b>Other Financing Sources and Uses</b>			
Proceeds from Sale of Capital Assets	11,849		11,849
Transfers In		535,493	535,493
Transfers Out	(535,493)		(535,493)
<b>Total Other Financing Sources and Uses</b>	<b>(523,644)</b>	<b>535,493</b>	<b>11,849</b>
Net Change in Fund Balances	1,667,790	(110,064)	1,557,726
Fund Balances Beginning of Year	4,777,377	4,124,431	8,901,808
Fund Balances End of Year	\$6,445,167	\$4,014,367	\$10,459,534

*The accompanying notes are an integral part of the financial statements.*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$1,557,726

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	\$453,248	
Current Year Depreciation	<u>(287,025)</u>	
Total		166,223

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (3,153)

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

Delinquent Property Taxes	458,482
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In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 1,457

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

HB 264 Energy Conservation Notes Payable	94,000	
2003 School Improvement Bonds	<u>665,000</u>	
Total		759,000

Some expenses reported in the statement of activities do not require the use the current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(169,357)	
Loss on Refunding Amortization	(24,485)	
Bond Issuance Costs Amortization	(11,350)	
Bond Premium Amortization	35,834	
Bond Accretion Amortization	<u>(81,163)</u>	
Total		<u>(250,521)</u>

Change in Net Assets of Governmental Activities \$2,689,214

*The accompanying notes are an integral part of the financial statements.*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$11,699,774	\$13,595,168	\$13,661,369	\$66,201
Intergovernmental	5,075,650	5,897,332	5,897,332	
Interest	416,008	484,376	397,907	(86,469)
Tuition and Fees	282,672	329,100	329,100	
Rent	1,778	1,350	1,350	
Gifts and Donations		175	175	
Customer Sales and Service	40,890	48,311	48,311	
Miscellaneous	3,556	4,698	94,916	90,218
Total Revenues	<u>17,520,328</u>	<u>20,360,510</u>	<u>20,430,460</u>	<u>69,950</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	9,284,406	8,260,617	7,879,371	381,246
Special	1,476,994	1,314,126	1,313,829	297
Vocational	179,004	159,265	158,916	349
Other	1,718,399	1,528,912	1,528,911	1
<b>Support Services:</b>				
Pupils	1,702,776	1,515,011	1,504,479	10,532
Instructional Staff	494,276	439,772	356,207	83,565
Board of Education	22,039	19,609	19,475	134
Administration	1,576,114	1,402,316	1,386,400	15,916
Fiscal	755,396	672,099	670,845	1,254
Operation and Maintenance of Plant	2,913,645	2,592,358	2,439,484	152,874
Pupil Transportation	1,090,604	970,343	961,491	8,852
Central	100,201	89,152	89,152	
Operation of Non-Instructional Services:				
Community Services	33,718	30,000		30,000
Extracurricular Activities	424,292	377,506	377,408	98
Capital Outlay	117,403	104,457	99,807	4,650
Total Expenditures	<u>21,889,267</u>	<u>19,475,543</u>	<u>18,785,775</u>	<u>689,768</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,368,939)</u>	<u>884,967</u>	<u>1,644,685</u>	<u>759,718</u>
<b>Other Financing Sources and Uses</b>				
Refund of Prior Year Expenditures	5,333	6,238	6,238	
Proceeds from Sale of Capital Assets	10,667	11,849	11,849	
Advances In	241,782	280,979	280,979	
Advances Out	(320,427)	(285,094)	(285,095)	(1)
Transfers Out	(601,859)	(535,492)	(535,493)	(1)
Total Other Financing Sources and Uses	<u>(664,504)</u>	<u>(521,520)</u>	<u>(521,522)</u>	<u>(2)</u>
Net Change in Fund Balance	(5,033,443)	363,447	1,123,163	759,716
Fund Balance Beginning of Year	4,554,941	4,554,941	4,554,941	
Prior Year Encumbrances Appropriated	505,294	505,294	505,294	
Fund Balance End of Year	<u>\$26,792</u>	<u>\$5,423,682</u>	<u>\$6,183,398</u>	<u>\$759,716</u>

*The accompanying notes are an integral part of the financial statements.*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	<b>Private Purpose Trust</b>	
	<b>Scholarships</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$14,045	\$82,104
<b>Liabilities</b>		
Accounts Payable		1,325
Due to Students		80,779
Total Liabilities		\$82,104
<b>Net Assets</b>		
Held in Trust for Scholarships	14,045	
Total Net Assets	\$14,045	

*The accompanying notes are an integral part of the financial statements.*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Private Purpose Trust</u>
	<u>Scholarships</u>
<b>Addition</b>	
Interest	\$468
<b>Deduction</b>	
Payments in Accordance with Trust Agreements	500
Change in Net Assets	(32)
Net Assets Beginning of Year	14,077
Net Assets End of Year	<u>\$14,045</u>

*The accompanying notes are an integral part of the financial statements.*

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**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**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 98 non-certificated employees and 145 certificated full-time teaching personnel that provide services to 1,790 students and other community members. The School District currently operates four instructional buildings, one administrative building, and one 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. The money is recorded in the auxiliary fund as a special revenue fund.

The School District is involved with the Bay Area Council of Governments, Vanguard-Sentinel Joint Vocational School, and Northern Ohio Educational Computer Association (NOECA), which are defined as jointly governed organizations. The School District is also associated with the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) and San Ott Insurance Consortium, which are defined as insurance purchasing pools. The Ida Rupp Public Library is a related organization of the School District. Additional information about these organizations is presented in Notes 14, 15 and 16 to the basic financial statements.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 governmental 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. Fund Accounting**

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain 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 regulations, restrictions or limitations.

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 and fiduciary.

**1. Governmental Fund Types**

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

**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.

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

**2. Fiduciary Fund Types**

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

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

**1. Government-wide Financial Statements**

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

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

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

**2. Fund Financial Statements**

Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

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

**C. Basis of Accounting**

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**D. Budgetary Data**

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. 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.

**2. Estimated Resources**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the 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 as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amount reported as the final budgeted amount in the budgetary statements reflects the amounts in the final amended certificate issued during fiscal year 2008.

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund. Any revisions that alter the total of any fund appropriation 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 amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from the prior years. The amounts reported as the final budgeted amounts in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**5. Lapsing of Appropriations**

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

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all 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 balance sheet.

During fiscal year 2008, investments were limited to federal securities, repurchase agreement, STAROhio, a money market and certificates of deposit.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2008. 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, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$381,540, which includes \$161,191 assigned from other School District funds.

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 balance sheet as "Cash in segregated accounts" since they are not required to be deposited into the School District treasury. For presentation on the balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts restricted for the purchase of buses and unspent Bureau of Worker's Compensation refunds required by state statute to be set aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

**H. Inventory**

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories in governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

**I. Deferred Charges**

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

**J. Bond Premiums**

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

**K. Capital Assets**

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

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

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

**L. Expenses/Expenditures**

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

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

**M. Interfund Balances**

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

**N. Compensated Absences**

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

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

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



**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**P. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment as reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid from them are not presented on the financial statements. All interfund transactions between governmental funds have been eliminated on the government-wide financial statements.

**Q. Fund Balance Reserves and Designations**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, prepaid items, property taxes, bus purchases and BWC refunds.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for BWC refunds represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

The District has also designated a portion of fund equity which was legally segregated for a specific future uses. The District has reported a fund equity designation for severance payments.

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2008, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**T. Estimates**

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

**U. Implementation of New Accounting Policies**

For the year ended 2008, the School District has implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*," GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*," GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*," and GASB Statement No. 50, "*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*."

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and GASB Statement No. 27, "Accounting for Pensions by state and Local Governmental Employers," to conform with requirements of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**3. FUND DEFICITS**

Fund balances at June 30, 2008 included the following individual fund deficits:

	<u>Deficit</u>
<b>Non-major Funds:</b>	
Food Service	\$44,434
Public School Preschool	49
Title II-A	249

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

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	<b>Net Change in Fund Balance</b>
	<b>General Fund</b>
GAAP Basis	\$1,667,790
Net Adjustment for Revenue Accruals	217,603
Advances In	280,979
Net Adjustment for Expenditure Accruals	(190,855)
Advances Out	(285,095)
Adjustments for Encumbrances	(567,259)
Budget Basis	\$1,123,163

**5. 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement;
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;

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period of 180 days in an amount not to exceed 25 percent of the interim monies 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2008, the School District and public depositories complied with the provisions of these statutes.

**A. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. Uninsured deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year end, the carrying amount of the School District's deposits (excluding change funds of \$1,430) was \$3,171,399 and the bank balance was \$3,514,845. Of the bank balance, \$1,871,232 was covered by federal depository insurance and \$1,643,613 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the School District's name.

**B. Investments**

As of June 30, 2008, the School District had the following investments and maturities:

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 Months or Less</u>	<u>13 to 18 Months</u>	<u>More than 24 Months</u>
STAROhio	\$4,247,936	\$4,247,936		
FHLB	2,445,720		\$402,124	\$2,043,596
FHLM	1,041,152			1,041,152
Repurchase Agreement	150,779	150,779		
Total Investments	<u>\$7,885,587</u>	<u>\$4,398,715</u>	<u>\$402,124</u>	<u>\$3,084,748</u>

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

**Credit Risk** - The School Districts' investments in FHLB and FHLM were all rated AAA and Aaa by Standard & Poor's Investor Services and Moody's, Investor Services, respectively. STAROhio has been given an AAA rating by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The repurchase agreement is an unrated investment. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

**Concentration of Credit Risk** - The School District's investment policy is to be diversified in its holding of investments by avoiding concentrations of specific users. The following table includes the percentage total of each investment type held by the School District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	\$4,247,936	54%
FHLB	2,445,720	31%
FHLM	1,041,152	13%
Repurchase Agreement	150,779	2%
Total Investments	<u>\$7,885,587</u>	<u>100%</u>

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and communications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunication property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2008-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$1,464,321 in the general fund and \$63,250 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$1,669,948 in the general fund, \$96,925 in the debt service fund, and \$36,246 in the permanent improvement capital projects fund.

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

The assessed values upon which fiscal year 2008 taxes were collected are:

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**6. PROPERTY TAXES (Continued)**

	<b>2007 Second-Half Collections</b>		<b>2008 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
<b>Real Property:</b>				
Residential/Agricultural	\$454,037,600	77%	\$467,612,690	80%
Other	98,506,800	17%	99,996,980	17%
Public Utilities	133,480	0%	175,400	0%
<b>Tangible Personal Property:</b>				
Personal	20,163,683	3%	5,949,030	1%
Public Utilities	17,133,440	3%	13,954,010	2%
<b>Total Assessed Value</b>	<b>\$589,975,003</b>	<b>100%</b>	<b>\$587,688,110</b>	<b>100%</b>
Tax rate per \$1,000 of assessed value	<u>\$59.85</u>		<u>\$58.30</u>	

**7. RECEIVABLES**

Receivables at June 30, 2008, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	<b>Balance 6/30/2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 06/30/2008</b>
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 58,517			\$ 58,517
<b>Capital Asset, being depreciated:</b>				
Buildings and Improvements	9,372,625	\$404,823		9,777,448
Furniture, Equipment and Vehicles	3,607,214	48,425	(\$72,011)	3,583,628
<b>Total Capital Assets, being depreciated:</b>	<b>12,979,839</b>	<b>453,248</b>	<b>(72,011)</b>	<b>13,361,076</b>
<b>Less Accumulated Depreciation:</b>				
Building and Improvements	(6,851,059)	(125,981)		(6,977,040)
Furniture, Equipment and Vehicles	(3,012,869)	(161,044)	68,858	(3,105,055)
<b>Total Accumulated Depreciation</b>	<b>(9,863,928)</b>	<b>(287,025)</b>	<b>68,858</b>	<b>(10,082,095)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>3,115,911</b>	<b>166,223</b>	<b>(3,153)</b>	<b>3,278,981</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$3,174,428</b>	<b>\$166,223</b>	<b>(\$ 3,153)</b>	<b>\$3,337,498</b>



**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**8. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$207,339
<b>Support Services:</b>	
Administration	9,898
Operation and Maintenance	35,946
Public Transportation	31,339
<b>Operations of Non-Instructional Services:</b>	
Food Service Operations	2,503
	<b>\$287,025</b>

**9. RISK MANAGEMENT**

**A. General Insurance**

The School 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 2008, the School District has entered into contracts with various insurance agencies for various insurance.

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

<b>Coverage</b>	<b>Amount</b>	<b>Deductible</b>
Property	\$63,459,452	\$5,000
Inland Marine	1,859,305	250
Flood	1,000,000	50,000
Earthquake	1,000,000	5%
Crime	50,000	500
General Liability	1,000,000	None
Employee Benefits Liability	1,000,000	1,000
Employer's (OH Stop Gap) Liability	1,000,000	None
School Leaders Errors & Omissions	1,000,000	2,500
Sexual Misconduct & Molestation	1,000,000	None
Law Enforcement	1,000,000	2,500
Fleet Policy	1,000,000	None to 500
Umbrella Policy	7,000,000	None
Boiler & Machinery	30,000,000	1,000/24 hrs.

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

**B. Workers' Compensation**

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

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

**C. Employee Health Insurance**

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

**10. PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$289,550, \$317,189, and \$331,601, respectively; 38 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

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

**10. PENSION PLANS (Continued)**

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

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

**Funding Policy** - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,129,674, \$1,167,069 and \$1,114,865, respectively; 84 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,708 made by the School District and \$13,833 made by the plan members.

**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, 2008, all members of the Board of Education have elected School Employees' Retirement System.

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

**11. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** - The School District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$132,131, \$105,307, and \$107,191, respectively; 38 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$20,863, \$21,569, and \$21,313, respectively; 38 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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

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

**11. POSTEMPLOYMENT BENEFITS (Continued)**

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$86,898, \$89,775, and \$85,759, respectively; 84 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$149,053, \$164,892 and \$149,755, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

**12. OTHER EMPLOYEE BENEFITS**

**A. Sick Leave**

Each full time professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract. Sick leave is cumulative to two hundred sixty-five (265) days.

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**12. OTHER EMPLOYEE BENEFITS (Continued)**

**B. Service Retirement**

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

Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the non-certified employee's accrued but unused sick leave days at the time of retirement of which payment is based on the first 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 are determined through negotiated agreements.

**PORT CLINTON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**13. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<b>Amount Outstanding 06/30/2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 06/30/2008</b>	<b>Amount Due in One Year</b>
<b>Governmental Activities</b>					
<b>General Obligation Bonds:</b>					
2003 School Improvement Refunding Bonds:					
Serial Bonds-\$3,960,000 - 2.00%-3.15%	\$2,010,000		(\$665,000)	\$1,345,000	
Capital Appreciation Bonds	314,994			314,994	\$314,994
Accretion on Capital Appreciation Bonds	236,820	\$ 81,163		317,983	317,983
Unamortized Premium	179,171	(35,834)		143,337	
Refunding Loss	(122,422)	24,485		(97,937)	
	<u>2,618,563</u>	<u>69,814</u>	<u>(665,000)</u>	<u>2,023,377</u>	<u>632,977</u>
House Bill Notes					
11/28/02 4.250%	953,400		(94,000)	859,400	94,000
Total Long-Term Debt	<u>3,571,963</u>	<u>69,814</u>	<u>(759,000)</u>	<u>2,882,777</u>	<u>726,977</u>
Compensated Absences	<u>1,277,090</u>	<u>289,300</u>	<u>(119,943)</u>	<u>1,446,447</u>	<u>232,316</u>
Total Governmental Activities	<u><u>\$4,849,053</u></u>	<u><u>\$359,114</u></u>	<u><u>(\$878,943)</u></u>	<u><u>\$4,329,224</u></u>	<u><u>\$959,293</u></u>

General obligation bonds and notes will be paid from property tax revenues in the debt service fund.

Compensated absences will be paid from the funds from which the employees' salaries are paid. In prior years this has primarily been the general fund.

The voted legal debt margin for the School District was \$52,034,853 with an unvoted debt margin of \$4,940,278 at June 30, 2008.

**2003 School Improvement Refunding General Obligation Bonds**

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

These refunding bonds were issued with a premium of \$286,673, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2008 was \$35,834. The issuance costs of \$90,796 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$11,350. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$195,877. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2008 was \$24,485.

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

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

The capital appreciation bonds mature December 1, 2008. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$670,000. For fiscal year 2008, the accretion amount was \$81,163.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are:

<b>Year</b>	<b>General Obligation Bonds</b>		<b>Capital Appreciation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2009		\$38,550	\$314,994	\$355,006
2010	\$585,000	30,945		
2011	600,000	14,190		
2012	160,000	2,520		
	<u>\$1,345,000</u>	<u>\$86,205</u>	<u>\$314,994</u>	<u>\$355,006</u>
<b>Year</b>	<b>House Bill Notes</b>		<b>Totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2009	\$ 94,000	\$ 37,318	\$ 408,994	\$430,874
2010	94,000	33,145	679,000	64,090
2011	94,000	28,970	694,000	43,160
2012	94,000	24,797	254,000	27,317
2013	94,000	20,616	94,000	20,616
2014-2017	389,400	40,337	389,400	40,337
	<u>\$859,400</u>	<u>\$185,183</u>	<u>\$2,519,394</u>	<u>\$626,394</u>

**14. PUBLIC ENTITY RISK POOLS**

**A. Insurance Purchasing Pool**

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



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(Continued)**

**14. PUBLIC ENTITY RISK POOLS (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 districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates, McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**B. Risk Sharing Pool**

The School District participates in the San Ott Insurance Consortium, a shared risk pool with participants from Sandusky and Ottawa counties. The Consortium is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San Ott Insurance Consortium, Shane Baumgardner, Danbury Local Schools, 9451 E. Harbor Road, Lakeside Marblehead, Ohio 43440.

**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, EHOESC Treasurer, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**Vanguard-Sentinel Joint Vocational School**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**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. The District paid \$35,437 to NOECA for services in fiscal year 2008. Financial information can be obtained by contacting Betty Schwiefert, EHOESC Treasurer, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**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.

**17. 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, 2008.

**B. Litigation**

The School District may be 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**18. SET-ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

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

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>BWC Refunds</u>	<u>Total</u>
Set-Aside Reserve Balance as of June 30, 2007	(\$1,181,335)		\$86,386	(\$1,094,949)
Current Year Set-Aside Requirement	263,348	\$263,348		526,696
Offset		(424,568)		(424,568)
Qualifying Disbursements	(450,448)	(192,793)		(643,241)
Totals	<u>(1,368,435)</u>	<u>(354,013)</u>	<u>86,386</u>	<u>(1,211,494)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(1,368,435)</u>		<u>86,386</u>	<u>(1,282,049)</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$86,386</u>	<u>\$ 86,386</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. These amounts maybe used to reduce future set aside requirements. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

**19. INTERFUND TRANSACTIONS**

**A. Interfund Balances**

The interfund receivable/payable consisted of the following at June 30, 2008, as reported on the fund financial statements:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$59,116	
<b>Other Governmental Funds:</b>		
Food Service		\$40,000
Athletics		10,863
Title I		5,642
Title V		1,671
Title II-A		940
Total	<u>\$59,116</u>	<u>\$59,116</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**19. INTERFUND TRANSACTIONS (Continued)**

The primary purpose of the interfund balance is to cover costs where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received.

**B. Interfund Transfers**

The interfund transfers consisted of the following at June 30, 2008, as reported on the fund financial statements:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General	\$535,493	
<b>Other Governmental Funds:</b>		
Debt Service		\$135,493
Severance Retirement		400,000
Total	<u>\$535,493</u>	<u>\$535,493</u>

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
Passed through the Ohio Department of Education			
<b>Child Nutrition Cluster:</b>			
School Breakfast Program	10.553	\$50,751	\$50,751
National School Lunch Program	10.555		
Cash Assistance		309,646	309,646
Non-cash Assistance (Food Distribution)		39,298	39,298
Total - National School Lunch Program		<u>348,944</u>	<u>348,944</u>
Total - Nutrition Cluster		399,695	399,695
Total United States Department of Agriculture		<u>399,695</u>	<u>399,695</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
Passed through the Ohio Department of Education			
<b>Special Education Cluster:</b>			
Special Education - Grants to States	84.027	514,554	568,445
<b>Passed through North Point Educational Service Center</b>			
Special Education - Preschool Grants	84.173	16,586	16,586
Total - Special Education Cluster		<u>531,140</u>	<u>585,031</u>
<b>Passed through the Ohio Department of Education</b>			
Title I Grants to Local Educational Agencies	84.010	376,954	342,121
Safe and Drug Free Schools and Communities - State Grants	84.186	7,152	7,152
State Grants for Innovative Programs	84.298	2,733	2,974
Education Technology State Grants	84.318	3,882	3,954
Improving Teacher Quality State Grants	84.367	<u>110,005</u>	<u>114,735</u>
Total United States Department of Education		<u>1,031,866</u>	<u>1,055,967</u>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:			
Medical Assistance	93.778	5,223	
Total Federal Financial Assistance		<u>\$1,436,784</u>	<u>\$1,455,662</u>

*The accompanying notes are an integral part of this schedule.*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

The District received \$5,223 of CAFS settlement in fiscal year 2008. The amount received relates to settlements for CAFS service provided during prior years.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Port Clinton City School District, Ottawa County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider findings 2008-001 through 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**Internal Control Over Financial Reporting  
(Continued)**

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

We also noted certain internal control matters that we reported to the District's management in a separate letter dated May 20, 2009.

**Compliance and Other Matters**

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

We did note certain noncompliance that we reported to the District's management in a separate letter dated May 20, 2009.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



**Mary Taylor, CPA**  
Auditor of State

May 20, 2009





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Port Clinton City School District, Ottawa County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Port Clinton City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance  
(Continued)**

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

May 20, 2009

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster – CFDA 10.553 and 10.555 Special Education Cluster – CFDA 84.027 and 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>Yes</b>

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

**FINDING NUMBER 2008-001**

**Significant Deficiency**

**Financial Reporting**

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

The following audit adjustments were made to the June 30, 2008, financial statements:

1. Adjustments were made to increase taxes receivable by \$2,410,188, increase deferred revenue by \$2,422,683 and decrease tax revenue by \$12,495 for the General Fund to correct the calculation of taxes receivable to agree to supporting documents at June 30, 2008.
2. Adjustments were made to increase fund balance unreserved and to decrease fund balance reserved for property tax for the General Fund and to increase fund balance reserved for property tax and decrease fund balance unreserved for the Permanent Improvement Non Major Fund at June 30, 2008 by \$12,495 each to correct the calculation for property tax at June 30, 2008.
3. Adjustment was made to increase property tax and decrease intergovernmental revenues in the General Fund by \$50,755 at June 30, 2008 to correct an error in posting.
4. Adjustments were made to increase taxes receivable by \$48,427, increase tax revenue by \$12,495 and increase deferred revenue by \$35,932 for the Permanent Improvement Non Major fund at June 30, 2008 to correct the calculation of taxes receivable to agree to supporting documentation.
5. Adjustment was made to establish a designation for severance payments and to decrease the amount in special revenue unreserved undesignated by \$805,063 in the Termination Benefit Non Major Fund at June 30, 2008 to correctly identify these monies as being designated for a specific purpose by the Board of Education.
6. Adjustment was made to increase tax revenue and decrease unearned revenue by \$494,983 to correctly post the tax revenue accrual for statement of net assets at June 30, 2008.
7. Adjustment was made to decrease restricted for student activities, restricted for other purposes, and restricted for grant programs in the amount of \$11,316, \$33,751, and \$31,270 and to increase restricted for grant programs and restricted for student activities in the amount of \$45,067 and \$31,270 respectively to correctly classify restricted equity at June 30, 2008 on the statement of net assets.

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

**Officials Response:**

A new Treasurer was hired in January of 2009. The new Treasurer has reviewed these adjustments.

## FINDING NUMBER 2008-002

### Significant Deficiency

#### Cash Reconciliations

The District's bank to book reconciliation and supporting documentation at June 30, 2008 was found to be incorrect. We noted several checks listed on the outstanding checklist had already been cashed and the prior Treasurer did not include an investment of the District's as a part of the investments listed as part of the reconciliation. We found several interest receipt postings had no support, were posted twice, or were not posted. A federal grant receipt had been received by the District, but was never posted to the District's ledgers. Also, a tax revenue receipt was posted to the books at less than the total of the receipt and a negative tax revenue receipt was posted to the District's ledger that had no support. The aforementioned errors resulted in the following cash adjustments to the District's books and bank reconciliation at June 30, 2008:

1. Increased investments by \$99,000.
2. Removed the investment of \$1,285.51 that was on the treasurer's investment list that was not an investment.
3. Reduced the outstanding checklist by \$4,047.38 to remove the outstanding checks on the reconciliation that had been cashed.
4. Added a deposit in transit of \$1,285.51 posted as a receipt in June of 2008 but not received by the bank until July of 2008.
5. Increased General Fund tax revenue by \$64,200.20.
6. Increased federal revenue to Food Service Fund by \$35,098.08.
7. Reduced General Fund interest revenue by \$86,468.85 due to unsupported or mis-posted interest.
8. Increased General Fund miscellaneous revenue by \$90,217.95.

To ensure revenue posted is accurate and the bank reconciliations are a true reflection of the receipts and disbursements of the District and agree to cash and investments, we recommend the District establish controls over the receipting, posting, and reconciliation functions to ensure the same person does not perform all these functions. The person reconciling the accounts should investigate all differences for resolution each month.

#### Officials Response:

The adjustments have been made as listed. Reconciliations have been made by the interim and the new Treasurer since the conclusion of this audit period. The control recommendations are in place.

**FINDING NUMBER 2008-003**

**Significant Deficiency**

**Capital Assets**

The District's Capital Asset Book Value Report contained the following errors:

- Assets listed were fully depreciated
- Items no longer owned by the District were listed as assets
- Lots of similar items that individually did not exceed the capital asset threshold
- Tag numbers of assets were missing
- Buildings were listed at their Fair Market Value
- No support for the land values listed

We recommend the District prepare or obtain an accurate listing of all District assets which would document:

- A reevaluation of the asset's useful lives
- An accurate listing of District owned assets
- Accurate listing of assets with their corresponding tag numbers
- The Historical cost of the District's Buildings
- Support for land values listed

We also recommend the District review their current Capital Asset Policy to state whether lots of similar items that do not exceed the Capital Asset Threshold will be included as depreciable Capital Assets.

**Officials Response:**

A review of current capital assets will be conducted.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
------------------------------------------------------------

None



**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**JUNE 16, 2009**