



Dave Yost • Auditor of State

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Port Clinton City School District
Ottawa County
811 South Jefferson Street
Port Clinton, Ohio 43452-2415

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Port Clinton City School District, Ottawa County, Ohio, (the District) as of and for the year ended June 30, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion

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

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Port Clinton City School District, Ottawa County, Ohio as of and for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the 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 financial statements.

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

February 23, 2015

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**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
From Local Sources:					
Property Taxes	\$ 13,545,660		\$ 2,007,358	\$ 537,725	\$ 16,090,743
Tuition	384,332				384,332
Food Service		\$ 201,828			201,828
Earnings on Investments	90,948				90,948
Extracurricular	60,315	157,191			217,506
Contributions & Donations	38,573	36,822			75,395
Classroom Materials & Fees	44,317				44,317
Rental Income	7,308	43			7,351
Other Local Revenues	132,539	47,973		37,603	218,115
Intergovernmental - Intermediate		12,071			12,071
Intergovernmental - State	5,739,078	129,714	246,540	60,335	6,175,667
Intergovernmental - Federal	213,406	1,500,052	498,232		2,211,690
Total Cash Receipts	20,256,476	2,085,694	2,752,130	635,663	25,729,963
Cash Disbursements					
Current:					
Instruction:					
Regular	7,923,975	215,907		72,433	8,212,315
Special	2,116,398	728,116			2,844,514
Vocational	135,680				135,680
Other	992,356				992,356
Support Services:					
Pupil	1,699,515	70,470			1,769,985
Instructional Staff	464,643	6,596			471,239
Board of Education	28,368				28,368
Administration	1,448,217	110,622			1,558,839
Fiscal	620,116		39,877	11,634	671,627
Operations & Maintenance	2,101,907			200,822	2,302,729
Pupil Transportation	878,690			154,840	1,033,530
Central	101,979	18,071			120,050
Operation of Non-Instructional	571	35,650			36,221
Food Service Operations	475	613,712			614,187
Extracurricular Activities	487,759	226,577			714,336
Facilities Acquisition & Construction				1,753,571	1,753,571
Debt Service:					
Principal Retirement			1,039,000		1,039,000
Interest and Fiscal Charges			1,800,839		1,800,839
Bond Issuance Costs			318,500		318,500
Total Cash Disbursements	19,000,649	2,025,721	3,198,216	2,193,300	26,417,886
Excess of Receipts Over (Under) Disbursements	1,255,827	59,973	(446,086)	(1,557,637)	(687,923)
Other Financing Receipts (Disbursements)					
Bond Proceeds			24,760,000		24,760,000
Bond Premium			335,545		335,545
Payment to Refunded Bond Escrow			(24,777,045)		(24,777,045)
Transfers In			110,450		110,450
Transfers Out	(110,450)				(110,450)
Reduction of Prior Year Expenditure	72				72
Total Other Financing Receipts (Disbursements)	(110,378)		428,950		318,572
Net Change in Fund Cash Balances	1,145,449	59,973	(17,136)	(1,557,637)	(369,351)
Fund Cash Balances, July 1	12,605,771	159,457	1,870,364	5,617,249	20,252,841
Fund Cash Balances, June 30					
Restricted		254,646	1,853,228	4,059,612	6,167,486
Committed	575,271				575,271
Assigned	596,927				596,927
Unassigned (Deficit)	12,579,022	(35,216)			12,543,806
Fund Cash Balances, June 30	\$ 13,751,220	\$ 219,430	\$ 1,853,228	\$ 4,059,612	\$ 19,883,490

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

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Types		Totals
	Internal Service	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts				
Extracurricular		\$ 95,161		\$ 95,161
Classroom Materials and Fees		340		340
Contributions and Donations		20,132		20,132
Other Local Revenues		120		120
Self Insurance Employee Benefits	\$ 1,516,295			1,516,295
<i>Total Operating Cash Receipts</i>	<u>1,516,295</u>	<u>115,753</u>		<u>1,632,048</u>
Operating Cash Disbursements				
Purchased Services	1,227,099			1,227,099
Other Miscellaneous		112,631	\$ 500	113,131
<i>Total Operating Cash Disbursements</i>	<u>1,227,099</u>	<u>112,631</u>	<u>500</u>	<u>1,340,230</u>
<i>Net Change in Fund Cash Balances</i>	289,196	3,122	(500)	291,818
<i>Fund Cash Balances, July 1</i>		63,330	9,703	73,033
<i>Fund Cash Balances, June 30</i>	<u>\$ 289,196</u>	<u>\$ 66,452</u>	<u>\$ 9,203</u>	<u>\$ 364,851</u>

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

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is staffed by 74 non-certified employees, 119 certified full-time teaching personnel, and 14 administrators who provide services to 1,800 students and other community members. The District currently operates three instructional buildings, one administrative building, one athletic complex and one bus garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity Omnibus and Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among several school districts. NOECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are limited to its representation on the Board. During the fiscal year, the District paid NOECA \$36,579 for its services. Financial information can be obtained by contacting Matt Bauer, who serves as controller, at 1210 East Bogart Road, Sandusky, Ohio 44870.

Vanguard-Sentinel Career and Technology Centers

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

Bay Area Council of Governments

The Bay Area Council of Governments (BACG) consists of numerous school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through BACG are natural gas and insurance. The only cost to the District is an administrative charge if they purchase something through the Council. The BACG consists of the superintendent of each school. The Board of Directors of the BACG consists of one elected representative from each county, 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. During the fiscal year, the District paid BACG \$67,547 for its services. Financial information can be obtained by contacting the North Point Educational Service Center, who serves as fiscal agent, at 1210 East Bogart Road, Sandusky, Ohio 44870.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Entity Risk Pools

Sheakley Workers' Compensation Group Retrospective Rating Plan

The District participates in a group retrospective rating plan for workers' compensation. The Sheakley Workers' Compensation Group Retrospective Rating Plan is a program where the District will continue to pay their individual bureau of workers' compensation premiums for the program year as required. The Bureau of Workers Compensation will evaluate the group's claim losses (compensation and medical costs, as well as claim reserves), at 12, 24 and 36 months following the end of the group retro policy year. If the Bureau of Workers Compensation findings result in a group retrospective premium calculation lower than the group's standard premium, participating employers may be entitled to a refund. Each year, the participating school districts pay an enrollment fee to Sheakley to cover the costs of administering the program.

Ohio School Benefits Cooperative

The District participates in a claims purchasing pool comprised of over thirty-five Districts. The Cooperative is governed by a nine-member Board of Directors, all of whom are administrators of participating Districts. All Cooperative revenues are generated from charges for services. Financial information can be obtained by writing to Christine Wagner, Treasurer, Muskingum Valley Educational Service Center, at 205 North 7th Street, Zanesville, Ohio 43701-3709

Related Organization

Ida Rupp Public Library

The Library is a distinct political subdivision of the State of Ohio governed by a Board of Trustees. The trustees are appointed by the Port Clinton Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies.

Other Organization

Immaculate Conception Catholic School

Within the District boundaries, the Immaculate Conception Catholic School is operated through the Toledo Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The money is recorded in the auxiliary fund as a special revenue fund.

B. Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects and debt service) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of, general obligation and energy conservation measure long-term debt principal and interest.

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

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis. The District's internal service fund accounts for monies received for the activities of the self-insurance program for employee health benefits.

FIDUCIARY FUND TYPE

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The fiduciary fund category is split into four classifications: pension trusts, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature. The District's agency fund accounts for student activities and the Ida Rupp Public Library.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in this financial statement.

D. Budgetary Process

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

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

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2014, the District invested in savings accounts, nonnegotiable certificates of deposits, Federal Home Loan Bank (FHLB) securities, and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR Ohio is an investment pool, management by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2(a)7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 totaled \$90,948, which included \$24,331 assigned from other funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or 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 law through constitutional provisions or enabling legislation. The District reported no restricted assets.

G. Fund Balance

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

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

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

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

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

H. Inventory and Prepaid Items

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

I. Capital Assets

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

J. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

K. Accumulated Leave

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

L. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Obligations

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

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

O. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

4. DEPOSITS AND INVESTMENTS

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

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

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

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2014, \$1,708,810 of the District's bank balance of \$20,207,020 was exposed to custodial credit risk because it was uninsured and collateralized with pooled securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

Investment Type	Carrying Value	Investment Maturity	
		6 months or less	Greater than 24 months
STAR Ohio	\$ 914	\$ 914	
FHLB	452,320		\$ 452,320
Total	\$ 453,234	\$ 914	\$ 452,320

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in the federal security were rated AA+ and AAA by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Government money markets are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014.

Investment Type	Carrying Value	% of total
STAR Ohio	\$ 914	0.20%
FHLB	452,320	99.80%
Total	<u>\$ 453,234</u>	<u>100.00%</u>

5. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2014 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 20,566,498	\$ 20,256,548	\$ (309,950)
Special Revenue	2,227,986	2,085,694	(142,292)
Debt Service	2,903,323	27,958,125	25,054,802
Capital Projects	730,572	635,663	(94,909)
Internal Service	1,500,000	1,516,295	16,295
Total	<u>\$ 27,928,379</u>	<u>\$ 52,452,325</u>	<u>\$ 24,523,946</u>

Budgeted vs. Actual Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 20,190,844	\$ 19,450,148	\$ 740,696
Special Revenue	2,220,310	2,107,943	112,367
Debt Service	27,978,485	27,975,261	3,224
Capital Projects	4,742,566	3,232,315	1,510,251
Fiduciary	500	500	
Internal Service	1,000,000	1,228,099	(228,099)
Total	<u>\$ 56,132,705</u>	<u>\$ 53,994,266</u>	<u>\$ 2,138,439</u>

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2014 represent the collection of calendar years 2013 taxes. Real property taxes received in calendar years 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, respectively, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar years 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Ottawa County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 564,281,990	96.85%	\$ 568,585,010	96.58%
Public utility personal	\$ 18,343,220	3.15%	\$ 20,135,060	3.42%
Total	<u>\$ 582,625,210</u>	<u>100.00%</u>	<u>\$ 588,720,070</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$64.85		 \$64.77	

7. RISK MANAGEMENT

A. Property and Liability

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

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

B. Employee Group Health Insurance

The District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool composed of thirty-five members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be local school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. The OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life, and/or other group insurance coverages for their employees and the eligible dependents, and designated beneficiaries of such employees. Participants pay a \$500 membership fee to OSBC. The OSBC offers two options to participants.

Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of Educational Service Center superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. On August 5, 2013, the District elected to participate in the self-insured purchasing program for medical, prescription drug and dental. (joint insurance purchasing program for medical, prescription drug, and dental coverage.)

As of June 30, 2014, there is an estimate of \$190,384 in run-out liability, which is 20% of the prior 12 month paid claims. On June 30, 2014, the balance in our benefit reserve account was \$289,196. Financial information can be obtained by writing to the, Christine Wagner, Treasurer of the Muskingum Valley Educational Service Center, at 205 N. 7th Street, Zanesville, Ohio 43701-3709

C. Worker's Compensation Plan

The District participates in a Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley provides administrative, cost control and actuarial services to the GRP.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,159,478, \$1,196,385 and \$1,230,733, respectively; 83.62 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$13,487 made by the District and \$10,597 made by the plan members.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$354,253, \$369,976, and \$379,688, respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

C. Social Security System

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

9. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$89,191, \$92,030, and \$94,672, respectively; 83.62 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 (the most recent information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources"

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$50,115, \$45,802, and \$73,523, respectively; 100 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$20,660, \$20,899, and \$22,423, respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

10. DEBT

Debt outstanding at June 30, 2014 was as follows:

	Balance Outstanding <u>06/30/13</u>	<u>Increases</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
<u>Governmental activities:</u>					
<u>General Obligation Bonds</u>					
Current interest bonds (Series 2010)	\$ 40,160,000		\$ (25,705,000)	\$ 14,455,000	\$ 960,000
Current interest bonds (Series 2014)		\$ 24,760,000		24,760,000	40,000
Capital appreciation bonds (Series 2010)	79,900			79,900	
Accreted interest	51,142	21,402		72,544	
Total general obligation bonds	<u>40,291,042</u>	<u>24,781,402</u>	<u>(25,705,000)</u>	<u>39,367,444</u>	<u>1,000,000</u>
<u>Other long-term obligations</u>					
Energy conservation notes	389,400		(94,000)	295,400	96,000
Total Long-Term Obligations	<u>\$ 40,680,442</u>	<u>\$ 24,781,402</u>	<u>\$ (25,799,000)</u>	<u>\$ 39,662,844</u>	<u>\$ 1,096,000</u>

School Improvement General Obligation Bonds (Series 2010): On February 24, 2010, the District issued general obligation school improvement bonds (Series 2010) to provide long-term financing of constructing, renovating, remodeling, adding to, furnishing, equipping and otherwise improving District buildings and facilities and acquiring, clearing and improving their sites, including, but not limited, to constructing, furnishing and equipping a new middle school and adding to, renovating and otherwise improving Bataan Memorial Elementary School. The issuance and the sale of the District's \$41,999,900 general obligation school improvement bonds consisted of \$2,074,900 school improvement series 2010A tax-exempt bonds, \$24,760,000 school improvement Build America Bonds and \$15,165,000 taxable school improvement tax credit bonds (qualified school construction bonds). On June 4, 2014, the District refinanced the \$24,760,000 school improvement Build America Bonds.

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

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEBT (Continued)

School Improvement General Obligation Bonds (Series 2014): On June 4, 2014, the District issued general obligation school improvement bonds (Series 2014) to refinance the Build America Bonds (Series 2010). This issuance was to finance site preparation and the construction, renovation, remodeling, furnishing, equipment of buildings and facilities, including but not limited to the construction, furnishing and equipping of a new middle school and the expansion and renovation of Bataan Memorial Elementary School.

As of June 30, 2014, principal and interest requirements to retire general obligation bonds and energy conservation notes are:

Year Ended	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 1,000,000	\$ 1,189,528	\$ 2,189,528			
2016	1,010,000	1,181,474	2,191,474			
2017	1,100,000	1,164,283	2,264,283			
2018	1,120,000	1,145,780	2,265,780			
2019	1,135,000	1,126,580	2,261,580			
2020-2024	6,575,000	5,310,473	11,885,473			
2025-2029	5,880,000	5,266,421	11,146,421	\$ 79,900	\$ 1,095,100	\$ 1,175,000
2030-2034	7,580,000	3,430,319	11,010,319			
2035-2039	8,145,000	1,964,725	10,109,725			
2040-2042	5,670,000	345,800	6,015,800			
Total	\$39,215,000	\$22,125,383	\$61,340,383	\$ 79,900	\$ 1,095,100	\$ 1,175,000

Fiscal Year	Energy Conservation Notes		
	Principal	Interest	Total
2015	\$ 96,000	\$ 12,476	\$ 108,476
2016	100,000	7,948	107,948
2017	99,400	3,463	102,863
Total	\$ 295,400	\$ 23,887	\$ 319,287

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEBT (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$15,543,135 (including available funds of \$1,853,229), an unvoted debt margin of \$588,720 and a legal energy conservation debt margin of \$5,003,081.

11. SET ASIDE REQUIREMENTS AND FUND RESERVES

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

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during 2014.

	Capital Improvements
Set Aside Reserve Balance June 30, 2013	
Current Year Set Aside Requirement	\$ 299,153
Current Year Qualified Expenditures	(52,284)
Prior Year Offset from Bond Proceeds	\$ (246,869)
Total	
Balance carried forward to fiscal year 2014	
Set-aside balance June 30, 2014	

12. CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. CONTINGENCIES (Continued)

Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$74,908	\$74,908
National School Lunch Program			
Cash Assistance	10.555	336,449	336,449
Non-cash Assistance (Food Distribution)	10.555	45,316	45,316
<i>Total - National School Lunch Program</i>		<u>381,765</u>	<u>381,765</u>
Total United States Department of Agriculture		<u>456,673</u>	<u>456,673</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<u>Special Education Cluster (IDEA):</u>			
<i>Passed Through North Point Educational Service Center</i>			
Special Education - Preschool Grants (IDEA Preschool)	84.173	12,144	12,144
<i>Passed Through Ohio Department of Education</i>			
Special Education - Grants to States (IDEA, Part B)	84.027	435,317	435,317
<i>Total - Special Education Cluster (IDEA)</i>		<u>447,461</u>	<u>447,461</u>
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	480,739	479,705
Improving Teacher Quality State Grants	84.367	118,055	97,501
ARRA - Race to the Top	84.395	54,584	54,430
Total United States Department of Education		<u>1,100,839</u>	<u>1,079,097</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$1,557,512</u>	<u>\$1,535,770</u>

The accompanying notes are an integral part of this schedule.

**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Port Clinton City School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain federal programs require the District to contribute non-federal funds (matching funds) to support the federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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
811 South Jefferson Street
Port Clinton, Ohio 43452-2415

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Port Clinton City School District, Ottawa County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2015, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governmental entities not required to report in accordance with GAAP rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

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

Entity's Response to Findings

The District's 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.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 23, 2015



Dave Yost • Auditor of State

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

Port Clinton City School District
Ottawa County
811 South Jefferson Street
Port Clinton, Ohio 43452-2415

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Port Clinton City School District's, Ottawa County, Ohio, (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Port Clinton City School District, Ottawa County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 23, 2015

PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education Grants to States (IDEA Part B) - CFDA #84.027, Special Education Preschool Grants (IDEA Preschool) - CFDA #84.173; Title I Grants to Local Education Agencies (Title I Part A of the ESEA) - CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Noncompliance Citation / Material Weakness

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

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

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

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

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a higher risk for the District's assets and debt.

FINDING NUMBER 2014-002

Material Weakness – Financial Reporting

We identified the following error requiring adjustment to the financial statements for the year ending June 30, 2014:

Bond Proceeds (\$24,760,000), Bond Issuance Costs (\$318,500), Bond Premium (\$335,545), and Payment to Refunded Bond Escrow (\$24,777,045) receipts, disbursements, and budgetary disclosure in the notes to the financial statements were adjusted to reflect bond refinancing activity in the Debt Service fund type. The issuance of these bonds resulted in the monies being deemed appropriated, however these amounts were not posted to the accounting system.

Additionally, immaterial errors not requiring adjustment to the financial statements were noted in the classification of certain receipt transactions and budgetary information ranging from \$1,816 to \$17,900.

The accompanying financial statements and notes to the financial statements have been adjusted to reflect the necessary change. Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

**FINDING NUMBER 2014-002
(Continued)**

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer, to identify and correct errors and omissions. Also, the Treasurer can refer to the Uniform School Accounting System User Manual at the following web site address for guidance on the recording of transactions: https://ohioauditor.gov/publications/uniform_school_accounting_system_user_manual.pdf

The Treasurer should record appropriations for those expenditures deemed appropriated.

Officials' Response:

No money came to or left the district during the refinancing of our bonds. This refinancing led to a savings of over 1 million dollars for the taxpayers of our district. We have learned there was supposed to be a memo entry due to an audit bulletin sent in 2006. Our bond counsel, broker and financial advisor who do these transactions all the time were also unaware of this required memo posting. This recommendation in no way reduces the amount of savings the district experienced by refinancing our bonds. As noted by the auditor, it simply is an adjustment made on the financial report.

3. FINDINGS FOR FEDERAL AWARDS

None

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**PORT CLINTON CITY SCHOOL DISTRICT
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Admin. Code § 117-2-03 (B) for reporting on a basis other than generally accepted accounting principles.	No	Not corrected. Reissued as finding number 2014-001 in this report.
2013-002	Material weakness for the failure to accurately classify principal payments.	Yes	

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Dave Yost • Auditor of State

PORT CLINTON CITY SCHOOL DISTRICT

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 17, 2015**