

**PETTISVILLE LOCAL SCHOOL
DISTRICT**

FULTON COUNTY

FINANCIAL STATEMENTS

Year Ended June 30, 2012



Dave Yost • Auditor of State

Board of Education
Pettisville Local School District
232 Summit Street
P.O. Box 53001
Pettisville, Ohio 43553

We have reviewed the *Independent Auditor's Report* of the Pettisville Local School District, Fulton County, prepared by Steyer & Co., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 13, 2013

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CONTENTS

	PAGE
Independent Auditor's Report	1
External Financial Statements: Management's Discussion and Analysis	3
Basic Financial Statements: Government-Wide Financial Statements: Statement of Net Assets – Cash Basis Statement of Activities – Cash Basis	9 10
Fund Financial Statements: Statement of Cash Basis Assets and Fund Balances – Governmental Funds Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds Statement of Change in Fiduciary Net Assets – Cash Basis – Fiduciary Funds	11 12 13 14 15
Notes to the Basic Financial Statements	16
Federal Awards Receipts and Expenditures Schedule Notes to Federal Awards Receipts and Expenditures Schedule	40 41
INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42
Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	44
Schedule of Findings	46
Schedule of Findings and Responses	47
Schedule of Prior Audit Findings	49
Independent Accountants' Report on Applying Agreed-Upon Procedures	50

INDEPENDENT AUDITOR'S REPORT

Board of Education
Pettisville Local School District
Pettisville, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pettisville Local School District, Fulton County, Ohio, (the District), as of and for the year ended June 30, 2012, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code §117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pettisville Local School District, Fulton County, Ohio, as of June 30, 2012, and the respective changes in financial position – cash basis, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2013, on our consideration of Pettisville Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pettisville Local School District, Fulton County Ohio's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



STEYER & CO.
Certified Public Accountants

Defiance, Ohio
January 25, 2013

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the financial performance of Pettisville Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

In total, net assets decreased \$6,833,130.

General revenues accounted for \$4,065,188 or 64 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$2,289,638 or 36 percent of total revenues of \$6,354,826.

The District's major funds include the General Fund and the Classroom Facilities Fund.

The General Fund had \$4,643,116 in revenues and other financing sources and \$4,605,974 in expenditures. The General Fund's balance increased \$37,142 from the prior fiscal year.

The Classroom Facilities Fund had \$8,844 in revenues and \$5,547,062 in expenditures. The Classroom Facilities Fund's balance decreased \$5,538,218 from the prior fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund is by far the most significant fund. The General Fund and the Classroom Facilities Fund are the only major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities both report on the cash basis, reflect how the District did financially during fiscal year 2012. These statements are reported on a cash basis of accounting which reflects receipts and disbursements when cash is received or disbursed.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the cash basis statement of net assets and statement of net assets and the statement of activities, the District discloses a single type of activity, its governmental activities which includes all of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Classroom Facilities Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the cash basis of accounting.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2012. A comparative analysis is not provided because this is the first year for government-wide financial statements using the cash basis of accounting. An analysis will be provided in future years when prior year information is available.

**Table 1
Net Assets
Governmental Activities**

<u>Assets:</u>	<u>2012</u>
Capital Assets, Net	<u>\$ 3,651,363</u>
Total Assets	
<u>Net Assets:</u>	
Restricted for Debt	141,138
Restricted for Capital Outlay	1,901,701
Restricted for Other Purposes	380,688
Unrestricted	<u>1,227,836</u>
Total	<u>\$ 3,651,363</u>

Table 2 reflects the changes in net assets for fiscal year 2012. This is the first year of implementation of the cash basis of accounting. Comparative figures are not available for fiscal year 2011. A comparative analysis will be provided in future years when prior year information is available.

**Table 2
Change in Net Assets**

<u>Revenues:</u>	<u>2012</u>
Program Revenues:	
Charges for Services and Sales	\$ 1,361,447
Operating Grants and Contributions	353,191
Capital Grants and Contributions	<u>575,000</u>
Total Program Revenues	2,289,638
General Revenues:	
Property Taxes	1,429,581
Income Taxes	470,707
Grants and Entitlements	2,132,097
Interest	12,822
Gifts and Donations	10,481
Miscellaneous	5,785
Proceeds from Sale of Capital Assets	417
Insurance Recoveries	<u>3,298</u>
Total General Revenues	4,065,188
Total Revenues	<u>6,354,826</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited

**Table 2 (Continued)
Change in Net Assets
Governmental Activities**

<u>Expenses:</u>	<u>2012</u>
Instruction	\$ 2,928,051
Support Services:	
Pupils	100,603
Instructional Staff	165,675
Board of Education	15,134
Administration	503,774
Fiscal	204,546
Business	993
Operation and Maintenance of Plant	509,844
Pupil Transportation	216,811
Central	50,153
Non-Instructional	236,456
Extracurricular Activities	333,061
Capital Outlay	7,591,503
Principal	105,000
Interest and Fiscal Charges	<u>226,352</u>
Total Expenses	<u>13,187,956</u>
Decrease in Net Assets	<u>(6,833,130)</u>
Net Assets at Beginning of Year	<u>10,484,493</u>
Net Assets at End of Year	<u>\$ 3,651,363</u>

Program receipts account for 36 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for capital outlay, which accounts for 58 percent. Instruction accounts for 22 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 4 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 4 percent each. The remaining 12 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
	2012	2012
Instruction	\$ 2,928,051	\$ 1,743,715
Support Services:		
Pupils	100,603	100,603
Instructional Staff	165,675	144,514
Board of Education	15,134	15,134
Administration	503,774	359,043
Fiscal	204,546	204,546
Business	993	993
Operation and Maintenance of Plant	509,844	498,714
Pupil Transportation	216,811	216,811
Central	50,153	50,153
Non-Instructional	236,456	(5,137)
Extracurricular Activities	333,061	221,374
Capital Outlay	7,591,503	7,016,503
Principal	105,000	105,000
Interest and Fiscal Charges	226,352	226,352
Total Expenses	<u>\$13,187,956</u>	<u>\$10,898,318</u>

Table 3 shows the dependence upon tax revenues and unrestricted state entitlements is apparent over 59 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenue is 83 percent. The remaining 17 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General fund and the Classroom Facilities fund. Total governmental funds had revenues and other financing sources of \$6,354,826 and expenditures of \$13,187,956. The net change in fund balance in the General fund reflects an increase of \$37,142. This was primarily due to overall receipts exceeding overall expenditures. The net change in fund balance in the Classroom Facilities fund was a decrease of \$5,538,218. This was due to capital outlay expenditures for the construction of the new school buildings.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2012, the District amended its General Fund budget as needed.

Final estimated revenues exceeded original estimated resources by \$289,130 (6.6%). The variance between final estimated revenues and actual was \$111,311.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012
Unaudited

Final budget expenditures were less than original budget expenditures by \$56,639 (1.2%). Final expenditures were budgeted at \$4,654,335 while actual expenditures were \$4,636,264. The \$18,071 difference is primarily due to a conservative "worst case scenario" approach.

Debt Administration

At June 30, 2012, the District had \$5,315,235 in school improvement general obligation bonds for construction and building improvements. The bonds were issued in the amount of \$4,830,000 for a twenty-eight year period, with final maturity on December 1, 2036. Also, the District had \$2,015 in a special waterline assessment note. The notes will mature in fiscal year 2014. The notes are being retired through the General Fund.

At June 30, 2012, the District's overall legal debt margin was (\$1,034,944), with an un-voted debt margin of \$45,990.

For further information regarding the District's long-term obligations, refer to Note 12 to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Pettisville is a small rural community of 2,500 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the second year of the state biennium budget. 57 percent of District revenue sources are from local funds and the sale of construction bonds and notes, 41 percent is from state funds and the remaining 1 percent is from federal funds. The total expenditure per pupil was calculated at \$8,552.

In May 2003, the District passed a five-year 1 percent income tax which has been renewed for a permanent period, to generate \$340,000 annually. It has grown to an all-time high of \$463,253 in collections for Fiscal Year 2012. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

In November, 2008, the district passed a 7.86 mill bond levy to generate funds toward the building of a new K-12 facility through the Ohio School Facilities Commission. The local dollars generated make up a match of 18% of the \$21,410,094. There are additional locally funded initiatives in the amount of \$976,000. The construction of the facility is complete and the students have completed their first year in the new state-of-the-art facility.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Christopher Lee, Treasurer, Pettisville Local School District, PO Box 53001, Pettisville, Ohio 43553.

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2012**

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 3,651,363
Total Assets	3,651,363
 NET ASSETS	
Restricted for Debt Service	141,138
Restricted for Capital Outlay	1,901,701
Restricted for Other Purposes	380,688
Unrestricted	1,227,836
Total Net Assets	\$ 3,651,363

See accompanying notes to the basic financial statements.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Fiscal Year Ended June 30, 2012**

		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
GOVERNMENTAL ACTIVITIES:					
Instruction:					
Regular	\$ 2,473,155	\$ 1,066,107	\$ 93,739	\$ -	\$ (1,313,309)
Special	230,767	-	-	-	(230,767)
Vocational	218,880	-	24,490	-	(194,390)
Adult/Continuing	214	-	-	-	(214)
Other	5,035	-	-	-	(5,035)
Support Services:					
Pupils	100,603	-	-	-	(100,603)
Instructional Staff	165,675	-	21,161	-	(144,514)
Board of Education	15,134	-	-	-	(15,134)
Administration	503,774	-	144,731	-	(359,043)
Fiscal	204,546	-	-	-	(204,546)
Business	993	-	-	-	(993)
Operation and Maintenance of Plant	509,844	-	11,130	-	(498,714)
Pupil Transportation	216,811	-	-	-	(216,811)
Central	50,153	-	-	-	(50,153)
Operation of Non-Instructional Services	236,456	183,653	57,940	-	5,137
Extracurricular Activities	333,061	111,687	-	-	(221,374)
Capital Outlay	7,591,503	-	-	575,000	(7,016,503)
Debt Service:					
Principal	105,000	-	-	-	(105,000)
Interest and Fiscal Charges	226,352	-	-	-	(226,352)
Totals	\$ 13,187,956	\$ 1,361,447	\$ 353,191	\$ 575,000	(10,898,318)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					1,012,959
Property Taxes, Levied for Capital Outlay					109,689
Property Taxes, Levied for Debt Service					289,005
Property Taxes, Levied for Other					17,928
Income Taxes					470,707
Grants and Entitlements not Restricted to					
Specific Programs					2,132,097
Gifts and Donations					10,481
Investment Earnings					12,822
Miscellaneous					5,785
Proceeds from Sale of Capital Assets					417
Insurance Recoveries					3,298
<i>Total General Revenues</i>					4,065,188
<i>Change in Net Assets</i>					(6,833,130)
<i>Net Assets Beginning of Year</i>					10,484,493
<i>Net Assets End of Year</i>					\$ 3,651,363

See accompanying notes to the basic financial statements.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,227,836</u>	<u>\$ 1,556,277</u>	<u>\$ 867,250</u>	<u>\$ 3,651,363</u>
Total Assets	<u>\$ 1,227,836</u>	<u>\$ 1,556,277</u>	<u>\$ 867,250</u>	<u>\$ 3,651,363</u>
FUND BALANCES				
Restricted	\$ -	\$ 1,556,277	\$ 699,600	\$ 2,255,877
Assigned	55,804	-	185,725	241,529
Unassigned	1,172,032	-	(18,075)	1,153,957
Total Liabilities and Fund Balances	<u>\$ 1,227,836</u>	<u>\$ 1,556,277</u>	<u>\$ 867,250</u>	<u>\$ 3,651,363</u>

See accompanying notes to the basic financial statements.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property and Other Local Taxes	\$ 1,012,959	\$ -	\$ 416,622	\$ 1,429,581
Income Tax	470,707	-	-	470,707
Intergovernmental	2,085,452	-	974,836	3,060,288
Interest	2,600	8,844	1,378	12,822
Tuition and Fees	1,066,047	-	-	1,066,047
Rent	60	-	-	60
Extracurricular Activities	(3,459)	-	115,146	111,687
Gifts and Donations	-	-	10,481	10,481
Customer Sales and Services	-	-	183,653	183,653
Miscellaneous	5,035	-	750	5,785
Total Revenues	<u>4,639,401</u>	<u>8,844</u>	<u>1,702,866</u>	<u>6,351,111</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	2,311,065	-	162,090	2,473,155
Special	215,970	-	-	215,970
Vocational	218,880	-	14,797	233,677
Adult/Continuing	214	-	-	214
Other	5,035	-	-	5,035
Support Services:				
Pupils	99,228	-	1,375	100,603
Instructional Staff	132,794	-	32,881	165,675
Board of Education	15,134	-	-	15,134
Administration	496,855	-	6,919	503,774
Fiscal	193,996	-	10,550	204,546
Business	993	-	-	993
Operation and Maintenance of Plant	439,870	-	69,974	509,844
Pupil Transportation	216,811	-	-	216,811
Central	50,153	-	-	50,153
Operation of Non-Instructional Services	-	-	236,456	236,456
Extracurricular Activities	208,976	-	124,085	333,061
Capital Outlay	-	5,547,062	2,044,441	7,591,503
Debt Service:				
Principal	-	-	105,000	105,000
Interest	-	-	226,352	226,352
Total Expenditures	<u>4,605,974</u>	<u>5,547,062</u>	<u>3,034,920</u>	<u>13,187,956</u>
Excess of Revenues Over (Under)				
Expenditures	<u>33,427</u>	<u>(5,538,218)</u>	<u>(1,332,054)</u>	<u>(6,836,845)</u>
OTHER FINANCING SOURCES AND USES				
Proceeds from Sale of Capital Assets	417	-	-	417
Insurance Recoveries	3,298	-	-	3,298
Total Other Financing Sources and Uses	<u>3,715</u>	<u>-</u>	<u>-</u>	<u>3,715</u>
Net Change in Fund Balances	37,142	(5,538,218)	(1,332,054)	(6,833,130)
Fund Balance at Beginning of Year	<u>1,190,694</u>	<u>7,094,495</u>	<u>2,199,304</u>	<u>10,484,493</u>
Fund Balance at End of Year	<u>\$ 1,227,836</u>	<u>\$ 1,556,277</u>	<u>\$ 867,250</u>	<u>\$ 3,651,363</u>

See accompanying notes to the basic financial statements.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)
AND ACTUAL COMPARISON
GENERAL FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property and Other Local Taxes	\$ 1,012,835	\$ 1,014,797	\$ 1,012,959	\$ (1,838)
Income Tax	415,804	470,707	470,707	-
Intergovernmental	2,125,274	2,180,890	2,085,452	(95,438)
Interest	4,000	4,000	2,600	(1,400)
Tuition and Fees	902,643	1,078,682	1,066,047	(12,635)
Rent	-	60	60	-
Miscellaneous	50	600	600	-
Total Revenues	<u>4,460,606</u>	<u>4,749,736</u>	<u>4,638,425</u>	<u>(111,311)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	2,333,753	2,316,679	2,316,679	-
Special	245,827	221,456	215,970	5,486
Vocational	213,347	224,026	221,354	2,672
Adult/Continuing	267	267	214	53
Other	17,743	5,035	5,035	-
Support Services:				
Pupils	94,518	100,081	99,228	853
Instructional Staff	149,627	137,646	137,465	181
Board of Education	24,287	19,700	17,214	2,486
Administration	479,615	497,728	497,128	600
Fiscal	207,786	195,575	194,039	1,536
Business	1,110	1,110	993	117
Operation and Maintenance of Plant	388,907	450,274	448,374	1,900
Pupil Transportation	253,686	227,639	227,639	-
Central	83,645	50,173	50,153	20
Extracurricular Activities	216,856	206,946	204,779	2,167
Total Expenditures	<u>4,710,974</u>	<u>4,654,335</u>	<u>4,636,264</u>	<u>18,071</u>
Excess of Revenues Over (Under)				
Expenditures	(250,368)	95,401	2,161	(93,240)
OTHER FINANCING SOURCES AND USES				
Proceeds from Sale of Capital Assets	100	417	417	-
Insurance Recoveries	-	3,298	3,298	-
Total Other Financing Sources and Uses	<u>100</u>	<u>3,715</u>	<u>3,715</u>	<u>-</u>
Net Change in Fund Balances	(250,268)	99,116	5,876	(93,240)
Fund Balance at Beginning of Year	1,150,623	1,150,623	1,150,623	-
Prior Year Encumbrances Appropriated	15,533	15,533	15,533	-
Fund Balance at End of Year	<u>\$ 915,888</u>	<u>\$ 1,265,272</u>	<u>\$ 1,172,032</u>	<u>\$ (93,240)</u>

See accompanying notes to the basic financial statements.

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
 FIDUCIARY FUNDS
 June 30, 2012**

	Private Purpose Trust	Agency Fund
ASSETS		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 656	\$ 49,234
Total Assets	656	49,234
NET ASSETS		
Restricted - expendable	656	-
Unrestricted	-	49,234
Total Net Assets	\$ 656	\$ 49,234

See accompanying notes to the basic financial statements.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
CASH BASIS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
Change in Net Assets	\$ -
Net Assets Beginning of Year	656
Net Assets End of Year	656

See accompanying notes to the basic financial statements.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Pettisville Local School District (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. Pettisville Local School District is a local school district as defined by §3311.22 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 Board oversees the operations of the District's one instructional/support facility staffed by 23 non-certified and 37 certified full-time teaching personnel who provide services to 538 students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District does not have any component units.

The District is associated with organizations, which are defined as jointly governed organizations, a related organization, and group purchasing pools. These organizations include the Northwest Ohio Computer Association, Northern Buckeye Education Council, Four County Career Center, Northern Buckeye Health Plan, NW Division of OHI, Northern Buckeye Education Council Workers' Compensation Group Rating Plan, Schools of Ohio Risk Sharing Authority, and the Pettisville School Foundation. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the District's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The District's major governmental funds are the General Fund and Classroom Facilities Maintenance Fund.

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

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for the revenues and expenditures related to the construction of new school buildings.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, 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 not available to support the District's own programs. The District's private purpose trust fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

C. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is 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 these financial statements.

D. Budgetary Process

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. 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 expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund, function, and object level for all funds.

Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years.

The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations.

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2012, investments consisted of money market funds, which are reported at cost.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$2,600 and \$10,222 to other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventory

The District reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

I. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-term Obligations

These District's cash basis financial statements do 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 are reported at inception. Lease payments are reported when paid.

K. 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. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements and the purchase of textbooks and instructional materials.

L. 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. There are no amounts restricted by enabling legislation.

N. 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 use of the resources in governmental funds. The classifications are as follows:

Nonspendable – The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

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

Assigned – Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or 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 the Board of Education.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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 can be used.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 – COMPLIANCE CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

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 a cash 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.

A. Change in Basis of Accounting

For 2012, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2C.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented.

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>
Fund Balance, June 30, 2011	\$ 784,445	\$ 6,766,253	\$ 2,360,102
Eliminate Asset Accruals	(1,377,119)	(397)	(664,123)
Eliminate Liability Accruals	1,783,368	328,639	503,325
Adjusted Fund Balance, June 30, 2011	<u>\$ 1,190,694</u>	<u>\$ 7,094,495</u>	<u>\$ 2,199,304</u>
Governmental Activities Net Assets June 30, 2011			\$ 18,406,227
Eliminate Government-Wide Financial Statement Adjustments:			
Material and Supplies Inventory			(10,363)
Accrued Interest Receivable			(562)
Accounts Receivable			(1,733)
Intergovernmental Receivable			(221,578)
Tax Receivable			(1,589,233)
Income Taxes Receivable			(207,685)
Capital Assets			(14,232,422)
Accounts Payable			16,281
Accrued Wages and Benefits			527,803
Accrued Interest Payable			20,423
Contracts Payable			326,155
Intergovernmental Payable			130,287
Matured Compensated Absences Payable			52,204
Deferred Revenue			1,438,514
Long Term Liabilities			<u>5,830,175</u>
Adjusted Governmental Activities Net Assets June 30, 2011			<u>\$ 10,484,493</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarizes the adjustments necessary to reconcile to cash basis statements to the budget basis statements for the General Fund:

Net Change in Fund Balance	General Fund
Cash Basis (as reported)	\$ 37,142
Outstanding Encumbrances	(35,059)
Perspective Difference:	
Activity of Funds Reclassified for Fund Balance Reporting Purposes:	3,793
Budgetary Basis	\$ 5,876

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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 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 held by the District can 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;

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. 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,
9. 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.

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.

Cash on Hand

At year end, the District had no undeposited cash on hand.

At June 30, 2012, the carrying amount of all District deposits was \$3,701,253. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$3,520,219 of the District's bank balance of \$3,770,219 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits with Financial Institution

Custodial credit risk for deposits is the risk that in the event of bank failure, the District's deposits may not be able to recover deposits or collateral securities that are in the possession of an outside party. 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.

All 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 a pool of collateral against all of the public deposits it holds or as specified collateral held at the Federal Reserve Bank in the name of the District.

Investments

As of June 30, 2012, the District had no investments:

Interest Rate Risk – The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk – Standard & Poor's has assigned STAR Ohio 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 and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2012:

<u>Cash per Footnote</u>	
Carrying Amount of Deposits	\$ 3,701,253
Total	<u>\$ 3,701,253</u>
<u>Cash per Statement of Net Assets</u>	
Governmental Activities	\$ 3,651,363
Private Purpose Trust Funds	656
Agency Funds	<u>49,234</u>
Total	<u>\$ 3,701,253</u>

NOTE 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 and public utility property located in the District. Real and public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes for 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility taxes received in calendar year 2011 become a lien December 31, 2010, were levied after April 1, 2011, and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; Public utility property taxes is currently assessed at varying percentages of true value.

The District receives property taxes from Fulton and Henry Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 6 – PROPERTY TAXES (CONTINUED)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second-Half		2012 First-Half	
	<u>Collections</u>		<u>Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$37,688,870	86.00	\$40,208,070	87.00
Industrial/Commercial	3,725,950	8.00	3,230,390	7.00
Public Utility Personal Property	2,525,420	6.00	2,552,130	6.00
Total Assessed Value	<u>\$43,940,240</u>	<u>100.00</u>	<u>\$45,990,590</u>	<u>100.00</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 53.16</u>		<u>\$ 61.86</u>	

NOTE 7 – INCOME TAXES

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 – RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 8 – RISK MANAGEMENT (CONTINUED)

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

B. Employee Insurance Benefits Program

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI) to form the Northern Buckeye Health Plan (NBHP), Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

NOTE 9 – DEFINED PENSION BENEFIT 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DB), a Defined Contribution Plan (DC) and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years or service or on 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 fifty 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 DB Plan and the DC 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 9 – DEFINED PENSION BENEFIT PLANS (CONTINUED)

The DB Plan portion of the Combined Plan payment is payable to a member on or after age sixty; the DC Plan portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. 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 the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$345,012, \$318,540, and \$332,945, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. School Employee Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$118,837, \$114,494, and \$103,833, respectively; 49 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, four members of the Board of Education have elected Social Security. The contribution rate is 6.2% of wages.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$24,644, \$22,752, and \$23,890, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75%. The District's contributions for the year ended June 30, 2012, 2011, and 2010 were \$6,366, \$6,215, and \$5,637, respectively, equal to the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits; the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation was .55%. An additional 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2012, 2011 and 2010 were \$4,669, \$14,028 and \$21,234, respectively.

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 on SERS' website at www.ohsers.org Employers/Audit Resources.

NOTE 11 – COMPENSATED ABSENCES

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 Days. Employees with less than one year of service earn no vacation. Certain employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 50 days.

B. Health Care Benefits

The District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Health Plan, NW Division of OHI.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 – LONG-TERM OBLIGATIONS

Changes in the District’s long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Increase	Decrease	Balance at 6/30/12	Amount Due In One Year
Special Waterline Assessment					
General Obligation Bonds	\$ 3,357	\$ -	\$ 1,342	\$ 2,015	\$ 1,342
Qualified School Construction					
Bonds	625,000	-	-	625,000	-
School Facilities Improvement					
Bonds					
Serial Bonds 2.5 – 3.7%	895,000	-	105,000	790,000	120,000
Term Bonds 4.3 – 5.0 %	3,785,000	-	-	3,785,000	-
Capital Appreciation Bonds	85,155	30,080	-	115,235	-
Total General Obligation Bonds	<u>\$ 5,390,152</u>	<u>\$ 30,080</u>	<u>\$ 106,342</u>	<u>\$ 5,317,250</u>	<u>\$ 131,342</u>

Special Waterline Assessment Loan – In 1993, the District was assessed for waterlines in the amount of \$26,845. The assessment is for 20 years, with final maturity during fiscal year 2014. The assessment is being retired from the General Fund, with current interest rate of 5.40 percent.

Qualified School Construction Bond – Proceeds from the bond was used for the purpose of constructing a wind turbine. The bond was issued on March 1, 2012 with an interest rate of 5.57 percent. The bond will mature on December 1, 2026.

School Facilities Improvement Bonds – Proceeds from the outstanding bonds were used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities at the high school. These bonds were issued on March 17, 2009. The bonds consisted of \$4,805,000 in current interest bonds (\$1,020,000 issued as serial bonds and \$3,785,000 issued as term bonds) and \$25,000 in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Maturity Date (December 1)	Principal Amount	Interest Rate
2012	\$ 120,000	3.00%
2013	120,000	3.00%
2014	125,000	3.00%
2015	135,000	3.00%
2018	145,000	3.50%
2019	145,000	3.70%

The current interest term bonds which mature on December 1, 2024, have an interest rate of 4.30 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 – LONG-TERM OBLIGATIONS (CONTINUED)

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2020	\$ 150,000
2021	160,000
2022	165,000
2023	170,000

The remaining principal amount of such current interest term bonds (\$180,000) will be paid at stated maturity on December 1, 2024.

The current interest term bonds which mature December 1, 2029, have an interest rate of 4.875 percent per year, and are subject to mandatory sinking fund redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2025	\$ 185,000
2026	195,000
2027	205,000
2028	215,000

The remaining principal amount of such current interest term bonds (\$225,000) will be paid at stated maturity on December 1, 2029.

The current interest term bonds which mature December 1, 2036, have an interest rate of 5 percent per year, and are subject to mandatory sinking fund redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2030	\$ 235,000
2031	250,000
2032	260,000
2033	275,000
2034	290,000
2035	305,000

The remaining principal amount of such current interest term bonds (\$320,000) will be paid at stated maturity on December 1, 2036.

The capital appreciation bonds were issued in the aggregate original principal amount of \$140,000 and mature on December 1 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date (December 1)</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2016	\$ 14,355	\$ 140,000
2017	10,665	140,000

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 – LONG-TERM OBLIGATIONS (CONTINUED)

The value of the capital appreciation bonds reported at June 30, 2012 was \$115,235. The annual accretion of interest is based on the straight-line method, which approximates the equity interest method. Total accreted interest of \$30,080 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

Total expenditures for interest for the period ended June 30, 2012 was \$226,352.

The scheduled payments of principal and interest on debt outstanding at June 30, 2012 are as follows:

Special Waterline Assessment Loan

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,342	\$ 114	\$ 1,456
2014	673	38	711
Total	<u>\$ 2,015</u>	<u>\$ 152</u>	<u>\$ 2,167</u>

General Obligation Bonds

	<u>Serial</u>	<u>Term</u>	<u>Capital</u>	<u>Construction Bonds</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 120,000	\$ -	\$ -	\$ -	\$ 240,646	\$ 360,646
2014	120,000	-	-	-	237,046	357,046
2015	125,000	-	-	-	233,371	358,371
2016	135,000	-	-	-	229,472	364,472
2017	-	-	14,335	-	353,112	367,447
2018-2022	290,000	310,000	10,665	-	1,222,276	1,832,941
2023-2027	-	895,000	-	-	905,831	1,800,831
2028-2032	-	1,130,000	-	625,000	508,016	2,263,016
2033-2037	-	1,450,000	-	-	188,750	1,638,750
Total	<u>\$ 790,000</u>	<u>\$ 3,785,000</u>	<u>\$ 25,000</u>	<u>625,000</u>	<u>\$ 4,118,520</u>	<u>\$ 9,343,520</u>

NOTE 13 – OPERATING LEASE

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights, and therefore, the results of the lease agreement are not reflected in the District's financial statements. During 2008, the District entered into a lease agreement for a postage meter. During fiscal year 2012, the District had expenditures of \$600 for the operating lease.

The following schedule is of future minimum lease payments as of June 30, 2012.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 600
2014	50
Total	<u>\$ 650</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 – SET-ASIDE CALCULATIONS 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 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. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011. Therefore, the June 30, 2011 textbook set aside balance was not carried forward to the fiscal year 2012.

The following cash basis information describes the change in the year-end set-aside amount for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2011	\$ -
Current Year Set-Aside Requirement	88,351
Qualifying Disbursements	(7,751,081)
Total	\$ (7,662,730)
 Cash Balance Carried Forward to FY 2013	 \$ -

The excess qualifying disbursements of the capital improvement set aside may not be used to reduce the capital improvement set-aside requirement for future years.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the North West Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2011, the District paid \$40,273 to NWOCA for various services. Financial information can be obtained from the North West Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 16 – GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI). The new name of the local insurance group consortium is Northern Buckeye Health Plan, Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium.

In fiscal year 2012, the District contributed a total of \$366,451 to the Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period January 1, 2012 through June 30, 2012 can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, OH 45242.

B. Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program, this year a fee of \$582 was paid.

Effective January 1, 2012, the WCRGP was transferred to Northern Buckeye Health Plan, Northern Division of OHI (NBHP). The NBHP WCGRP is an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the program.

C. Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by § 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons that might result in claims being made against members of SORSA, their employees or officers.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 16 – GROUP PURCHASING POOLS (CONTINUED)

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of Superintendents, Treasurers, or Business Managers from the participating school districts. The insurance brokerage firm of Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing and consulting services. The Frank Gates Service Company provides insurance claims settlement and adjustment services. Financial information can be obtained from SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

NOTE 17 – RELATED ORGANIZATION

Pettisville School Foundation

The Pettisville School Foundation consists of a nine member Board of Trustees. Two of the trustees are appointed by the Pettisville Board of Education and the other seven members elected positions by the membership. The Foundation supports the District and community in various projects such as scholarship programs, the attendance incentive program, and fund raising for school facilities. Decisions to disburse money to the District are discretionary decisions made solely by the Board of Trustees of the Foundation. Financial information can be obtained from the Pettisville School Foundation, PO Box 53111, Pettisville, Ohio 43553.

NOTE 18 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2012.

B. Litigation

There are currently no matters in litigation with the District as defendant.

C. School/Community School Contingency

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 19 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Regular Instruction	\$ -	\$ -	\$ 2,042	\$ 2,042
Athletics	-	-	97,558	97,558
Food Service Operations	-	-	11,300	11,300
Facilities Maintenance	-	-	102,138	102,138
Debt Retirement	-	-	141,138	141,138
Permanent Improvements	-	-	262,198	262,198
Building Construction	-	1,556,277	83,226	1,639,503
Total Restricted	<u>-</u>	<u>1,556,277</u>	<u>699,600</u>	<u>2,255,877</u>
Assigned for:				
Educational Activities	20,745	-	-	20,745
Special Projects Trust	-	-	185,725	185,725
Other Purposes	35,059	-	-	35,059
Total Assigned	<u>55,804</u>	<u>-</u>	<u>185,725</u>	<u>241,529</u>
Unassigned	1,172,032	-	(18,075)	1,153,957
Total Fund Balance	<u>\$1,227,836</u>	<u>\$1,556,277</u>	<u>\$ 867,250</u>	<u>\$ 3,651,363</u>

NOTE 20 – ACCOUNTABILITY

At June 30, 2012, Race to the Top, Title I, Title II-A, and REAP special revenue funds, had deficit fund balances of \$5,450, \$6,726, \$3,585, and \$2,314, respectively, resulting from the funds being reimbursement grants.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program – Cash Assistance	10.553	\$ 3,853	\$ 3,853
National School Lunch Program	10.555		
Cash Assistance		53,176	53,176
Non-Cash Assistance (Food Distribution)		20,934	20,934
Total National School Lunch Program		<u>74,110</u>	<u>74,110</u>
Total U.S. Department of Agriculture		<u>77,963</u>	<u>77,963</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<i>Title I, Part A Cluster:</i>			
Title I Grants to Local Educational Agencies	84.010	<u>21,161</u>	<u>27,887</u>
Total Title I, Part C Cluster		21,161	27,887
Title VI-B Rural Education	84.359	61,386	65,783
Title II-D Technology Grant	84.318	-	52
Education Jobs Fund	84.410	144,731	-
ARRA – Race-to-the-Top Incentive Grants, Recovery Act	84.395	4,375	9,450
Improving Teacher Quality State Grants	84.367	<u>27,978</u>	<u>17,603</u>
Total U.S. Department of Education		<u>259,631</u>	<u>120,775</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through Ohio Department of Communications Development</i>			
ARRA – State Energy Grant	81.041	<u>575,000</u>	<u>1,072,647</u>
Total U.S. Department of Energy		<u>575,000</u>	<u>1,072,647</u>
Total Federal Awards Receipts & Expenditures		<u>\$ 912,594</u>	<u>\$ 1,271,385</u>

The accompanying notes are an integral part of this schedule.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Paulding Exempted Village 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 fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

The accompanying notes are an integral part of this schedule.

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Pettisville Local School District
Pettisville, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pettisville Local School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2013, where in, we noted the District prepares its financial statements on the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, 2012-2 and 2012-3. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pettisville Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2012-01.

We noted certain matters that we reported to management of the District in a separate letter dated January 25, 2013.

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

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



STEYER & CO.
Certified Public Accountants

Defiance, Ohio
January 25, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Pettisville Local School District
Pettisville, Ohio

Compliance

We have audited Pettisville Local School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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

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

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

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



STEYER & CO.
Certified Public Accountants

Defiance, Ohio
January 25, 2013

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? _____ Yes X No
Significant deficiencies identified
not considered to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements
noted? _____ Yes X No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? _____ Yes X No
Significant deficiencies identified
not considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance
for major programs? Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
81.041	State Energy Program – ARRA

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ Yes X No

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2012

2012-1 Noncompliance Citation

Ohio Revised Code, § 117.38, provides in part that each public office, other than a state agency, 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 Revised Code, § 117-2-03(B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For 2012, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Auditing Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably 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.

Management's Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles is more cost efficient.

**2012-2 Significant Weakness
Financial Reporting**

The financial statements of the District have been prepared using other comprehensive basis of accounting as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District also applies Financial Accounting Standard Board (FASB) statements and interpretations on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Accordingly the District has adopted GASB Statement 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*.

During the course of our audit, we determined that numerous significant errors were present in the District-prepared financial statements. These differences dealt with footnote disclosures leading to improper presentation in the financial statements.

To ensure the District's financial statements and notes to the statements are completed 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.

Management's Response:

Management understands and agrees with the citation and will make the necessary corrections.

**2012-3 Significant Deficiency
Financial Reporting**

In an adequately controlled environment, individuals who initiate payroll checks cannot: (1) Prepare payroll checks, (2) Sign payroll checks, (3) Review and authorize electronic payroll disbursements, (4) Disburse payroll checks, (5) Control unclaimed paychecks, (6) Resolve employee payroll inquiries, or (7) Edit the payroll master file. Individuals who prepare payroll checks cannot: (1) Sign payroll checks, (2) Review and authorize electronic payroll disbursements, (3) Disburse payroll checks, (4) Control unclaimed paychecks, (5) Resolve employer payroll inquiries, (6) Edit the master payroll file, or (7) Open mail or copy checks received.

During the course of our audit, we determined that there was a lack of segregation of duties in the payroll area. The Treasurer is handling all aspects of the payroll process from entering pay rates, entering time sheets, processing payroll, signing checks, distributing checks, and preparing payroll reports.

We recommend that the Treasurer share duties in the payroll area. The Assistant Treasurer could enter time sheets and process payroll, and then the Treasurer could review, sign, and disburse the checks. Another recommendation would be to have someone else outside the payroll process to reconcile the payroll bank account monthly. This would be a control that could prevent unusual payroll instances from occurring. Such instances could be the issuance of additional checks and transferring more money from the bank than is necessary.

Management's Response:

Management understands and agrees with the citation and will make the necessary corrections.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS**
June 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Action Taken
2011-1	Significant Deficiency Lack of segregation of duties	No	Not Corrected. Reissued as finding 2012-3.

STEYER & CO.

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Pettisville Local School District
Fulton County
232 Summit Street
Pettisville, Ohio 43553

To the Board of Education:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Pettisville Local School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on June 11, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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



STEYER & CO.
Certified Public Accountants

Defiance, Ohio
January 25, 2013

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Dave Yost • Auditor of State

PETTISVILLE LOCAL SCHOOL DISTRICT

FULTON 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 25, 2013**