

**PETTISVILLE LOCAL SCHOOL  
DISTRICT**

**FULTON COUNTY**

**FINANCIAL STATEMENTS**

*Year Ended June 30, 2009*





# Dave Yost • Auditor of State

Board of Education  
Pettisville Local School District  
232 Summit Street  
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, 2008 through June 30, 2009. 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

May 25, 2011

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# STEYER & CO.

*Certified Public Accountants*

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## 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, 2009, 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 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.

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, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2011, on our consideration of Pettisville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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

A handwritten signature in cursive script that reads "Steyer & Co." with a period at the end.

STEYER & CO.  
Certified Public Accountants

Defiance, Ohio  
February 1, 2011



**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
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, 2009. 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 2009 are as follows:

In total, net assets increased \$1,700,832.

General revenues accounted for \$3,994,799, or 53 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants, and capital grants and contributions accounted for \$3,512,271, or 47 percent of total revenues of \$7,506,970.

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

The General Fund had \$4,668,851 in revenues and \$4,721,364 in expenditures. There were no significant changes in the General Fund revenues or expenditures between 2008 and 2009. The General Fund's balance decreased \$52,513 from the prior fiscal year.

The Bond Retirement Fund had \$5,024,515 in revenues and other financing sources and \$4,961,070 in expenditures. The Bond Retirement Fund's balance increased \$63,445 from the prior fiscal year.

The Classroom Facilities Fund had \$10,552,590 in revenues and other financing sources and \$5,019,115 in expenditures and other financing uses. The Classroom Facilities Fund's balance increased \$5,533,475 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 Pettisville Local School District, the General Fund, the Bond Retirement Debt Service Fund, and the Classroom Facilities Capital Projects Fund are the most significant 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 reflect how the District did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of

**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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 statement of net assets and the statement of activities, all of the District's activities are presented as governmental activities.

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 funds are the General Fund, the Bond Retirement Debt Service Fund, and the Classroom Facilities Capital Projects 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 year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

#### 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 accrual basis of accounting.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to fiscal year 2008.

**Table 1  
Net Assets  
Governmental Activities**

<u>Assets:</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
Current and Other Assets	\$ 9,700,413	\$2,999,956	\$ 6,685,639
Capital Assets, Net	2,992,364	2,893,861	98,503
Total Assets	<u>12,692,777</u>	<u>5,893,817</u>	<u>6,784,142</u>
 <u>Liabilities:</u>			
Current and Other Liabilities	2,043,274	1,783,264	260,010
Long-Term Liabilities	5,242,721	404,603	4,838,118
Total Liabilities	<u>7,285,995</u>	<u>2,187,867</u>	<u>5,098,128</u>
 <u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	2,778,431	2,886,478	(108,047)
Restricted	2,404,677	541,103	1,863,574
Unrestricted	223,674	278,369	(54,695)
Total Net Assets	<u>\$ 5,406,782</u>	<u>\$3,705,950</u>	<u>\$ 1,700,832</u>

There was a significant change in the current and other assets and the long-term liabilities due to the issuance of general obligation bonds.

Table 2 reflects the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

**Table 2  
Change in Net Assets  
Governmental Activities**

<u>Revenues:</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
<u>Program Revenues:</u>			
Charges for Services and Sales	\$ 1,261,567	\$1,164,794	\$ 96,773
Operating Grants and Contributions	416,243	397,708	18,535
Capital Grants and Contributions	1,834,361	-	1,834,361
Total Program Revenues	<u>3,512,171</u>	<u>1,562,502</u>	<u>1,949,669</u>
 <u>General Revenues:</u>			
Property Taxes	1,348,026	1,159,214	188,812
Income Taxes	412,461	451,860	(39,399)
Grants and Entitlements	2,145,208	1,945,950	199,258
Investment Earnings	58,408	64,917	(6,509)
Gifts and Donations	28,392	16,319	12,073
Miscellaneous	2,304	5,787	(3,483)
Total General Revenues	<u>3,994,799</u>	<u>3,644,047</u>	<u>350,752</u>
Total Revenues	<u>\$ 7,56,970</u>	<u>\$5,206,549</u>	<u>\$ 2,300,421</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

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

<u>Expenses:</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
Instruction	\$ 3,021,342	\$2,921,379	\$ (99,963)
Support Services:			
Pupils	143,623	105,592	(38,031)
Instructional Staff	146,484	135,925	(10,559)
Board of Education	15,436	17,384	1,948
Administration	503,796	452,148	(51,648)
Fiscal	207,018	176,353	(30,665)
Business	939	1,043	104
Operation and Maintenance of Plant	424,744	423,090	(1,654)
Pupil Transportation	238,216	266,461	28,245
Central	73,229	53,365	(19,864)
Non-Instructional Services	251,997	250,846	(1,151)
Extracurricular Activities	438,952	364,983	(73,969)
Capital Outlay	213,933	32,075	(181,858)
Interest and Fiscal Charges	126,429	-	(126,429)
Total Expenses	<u>5,806,138</u>	<u>5,200,644</u>	<u>(605,494)</u>
Increase in Net Assets	1,700,832	5,905	1,694,927
Net Assets at Beginning of Year	<u>3,705,950</u>	<u>3,700,045</u>	<u>5,905</u>
Net Assets at End of Year	<u>\$ 5,406,782</u>	<u>\$3,705,950</u>	<u>\$ 1,700,832</u>

There was a significant increase in program revenues in fiscal year 2009 due to the resources received from the Ohio School Facilities Commission for the building of a new school.

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.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	\$ 3,021,342	\$ 2,921,379	\$ 1,776,974	\$ 1,748,665
Support Services:				
Pupils	143,623	105,592	142,444	103,601
Instructional Staff	146,484	135,925	144,414	133,855
Board of Education	15,436	17,384	15,436	17,384
Administration	503,796	452,148	498,796	447,148
Fiscal	207,018	176,353	207,018	176,353
Business	939	1,043	939	1,043
Operation & Maintenance of Plant	424,744	423,090	424,744	423,090
Pupil Transportation	238,216	266,461	230,161	260,713
Central	73,229	53,365	67,229	47,365
Non-Instructional Services	251,997	250,846	4,798	32,890
Extracurricular Activities	438,952	364,983	275,013	213,960
Capital Outlay	213,933	32,075	(1,620,428)	32,075
Interest and Fiscal Charges	126,429	-	126,429	-
Total Expenses	<u>\$ 5,806,138</u>	<u>\$ 5,200,644</u>	<u>\$ 2,293,967</u>	<u>\$3,638,142</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

Table 3 demonstrates the dependence on tax revenues and unrestricted state entitlements for governmental activities is apparent over 58 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 39 percent. The remaining 61 percent is derived from tuition and fees, specific grants, and donations. For fiscal year 2009, all the capital outlay was covered by program revenues since money was received from the Ohio School Facilities Commission.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The significant decrease in fund balance for the General Fund is mostly due to the increase of instruction expenditures and support services. The significant increase in the Bond Retirement Fund is mostly due to the increase of taxes collected and the transfer in of funds to cover the debt for the new school. The largest change in fund balance was in the Classroom Facilities Fund where bonds and notes were issued to fund the new school.

**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 2009, the District amended its General Fund budget as needed. For revenues, changes from both the original budget to the final budget and from the final budget to actual revenues were not significant. For expenditures, the District increased the final budget; however, final expenditures were more in line with the original budget. The District has a history of appropriating and operating conservatively.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2009, the District had \$2,992,364 invested in capital assets (net of accumulated depreciation), an increase of approximately 3 percent from the prior year.

For further information regarding the District's capital assets, refer to Note 9 to the basic financial statements.

**Debt**

At June 30, 2009, the District had \$4,830,000 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 \$6,041 in a special waterline assessment note. The notes will mature in fiscal year 2014. The notes are being retired through the General Fund.

The District's long-term obligations also include compensated absences.

At June 30, 2009, the District's overall legal debt margin was \$(835,522), with an un-voted debt margin of \$43,679.

For further information regarding the District's long-term obligations, refer to Note 15 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 located in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

The District is currently operating in the first year of the state biennium budget. 57 percent of District revenue sources are from local funds, 38 percent from state funds and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$12,085.

In May 2003, the District passed a five-year 1 percent income tax to generate \$340,000 annually. It has been renewed for a permanent period of time and has grown to collecting \$412,461 in fiscal year 2009. 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 that are expected to cost \$976,000. The construction of the facility is currently in progress and the completion is scheduled for mid to late 2011.

**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, Box 53001, Pettisville, Ohio 43553.

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**STATEMENT OF NET ASSETS**  
*June 30, 2009*

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,297,666
Investments	5,727,424
Materials and Supplies Inventory	11,914
Accrued Interest Receivable	9,296
Intergovernmental Receivable	40,239
Taxes Receivable	1,431,830
Income Taxes Receivable	182,044
Noncurrent Assets	
Non-Depreciable Capital Assets	511,237
Depreciable Capital Assets, net	2,481,127
Total Assets	12,692,777
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	14,353
Accrued Wages and Benefits	520,295
Contracts Payable	107,538
Intergovernmental Payable	124,411
Matured Compensated Absences Payable	29,798
Deferred Revenue	1,246,879
Long-Term Liabilities:	
Due Within One Year	21,342
Due in More Than One Year	5,221,379
Total Liabilities	7,285,995
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	2,778,431
Restricted for Debt Service	67,638
Restricted for Capital Outlay	1,899,977
Restricted for Other Purposes	437,062
Unrestricted	223,674
Total Net Assets	\$ 5,406,782

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

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2009*

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
GOVERNMENTAL ACTIVITIES:					Governmental Activities
Instruction:					
Regular	\$ 2,401,882	\$ 928,185	\$ 79,548	\$ -	\$ (1,394,149)
Special	392,039	-	212,570	-	(179,469)
Vocational	196,826	-	24,065	-	(172,761)
Other	30,595	-	-	-	(30,595)
Support Services:					
Pupils	143,623	-	1,179	-	(142,444)
Instructional Staff	146,484	-	2,070	-	(144,414)
Board of Education	15,436	-	-	-	(15,436)
Administration	503,796	-	5,000	-	(498,796)
Fiscal	207,018	-	-	-	(207,018)
Business	939	-	-	-	(939)
Operation and Maintenance of Plant	424,744	-	-	-	(424,744)
Pupil Transportation	238,216	-	8,055	-	(230,161)
Central	73,229	-	6,000	-	(67,229)
Operation of Non-Instructional Services	251,997	169,443	77,756	-	(4,798)
Extracurricular Activities	438,952	163,939	-	-	(275,013)
Capital Outlay	213,933	-	-	1,834,361	1,620,428
Interest and Fiscal Charges	126,429	-	-	-	(126,429)
<b>Totals</b>	<b>\$ 5,806,138</b>	<b>\$ 1,261,567</b>	<b>\$ 416,243</b>	<b>\$ 1,834,361</b>	<b>(2,293,967)</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	1,047,892
Property Taxes, Levied for Capital Outlay	113,314
Property Taxes, Levied for Debt Service	177,181
Property Taxes, Levied for Other	9,639
Income Taxes	412,461
Grants and Entitlements not Restricted to Specific Programs	2,145,208
Gifts and Donations	28,392
Investment Earnings	58,408
Miscellaneous	2,304

*Total General Revenues* 3,994,799

*Change in Net Assets* 1,700,832

*Net Assets Beginning of Year* 3,705,950

*Net Assets End of Year* \$ 5,406,782

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



**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 943,306	\$ 41,907	\$ 654,425	\$ 658,028	\$ 2,297,666
Investments	-	-	4,983,599	743,825	5,727,424
Materials and Supplies Inventory	-	-	-	11,914	11,914
Accrued Interest Receivable	569	-	7,116	1,611	9,296
Interfund Receivable	5,738	54	-	4,127	9,919
Intergovernmental Receivable	-	-	-	40,239	40,239
Taxes Receivable	1,171,257	137,315	-	123,258	1,431,830
Income Taxes Receivable	<u>182,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,044</u>
Total Assets	<u>\$ 2,302,914</u>	<u>\$ 179,276</u>	<u>\$ 5,645,140</u>	<u>\$ 1,583,002</u>	<u>\$ 9,710,332</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	\$ 8,598	\$ -	\$ -	\$ 5,755	\$ 14,353
Accrued Wages and Benefits	494,958	-	-	25,337	520,295
Contracts Payable	-	-	107,538	-	107,538
Interfund Payable	-	-	4,127	5,792	9,919
Intergovernmental Payable	115,649	-	-	8,762	124,411
Matured Compensated Absences Payable	29,798	-	-	-	29,798
Deferred Revenue	<u>1,072,573</u>	<u>115,831</u>	<u>-</u>	<u>150,970</u>	<u>1,339,374</u>
Total Liabilities	<u>1,721,576</u>	<u>115,831</u>	<u>111,665</u>	<u>196,616</u>	<u>2,145,688</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	14,331	-	1,023,596	8,142	1,046,069
Inventory	-	-	-	11,914	11,914
Property Taxes	71,861	21,484	-	9,478	102,823
Unreserved, Undesignated, Reported in:					
General Fund	495,146	-	-	-	495,146
Special Revenue Funds	-	-	-	387,364	387,364
Debt Service Fund	-	41,961	-	-	41,961
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>4,509,879</u>	<u>969,488</u>	<u>5,479,367</u>
Total Fund Balances	<u>581,338</u>	<u>63,445</u>	<u>5,533,475</u>	<u>1,386,386</u>	<u>7,564,644</u>
Total Liabilities and Fund Balances	<u>\$ 2,302,914</u>	<u>\$ 179,276</u>	<u>\$ 5,645,140</u>	<u>\$ 1,583,002</u>	<u>\$ 9,710,332</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
 FULTON COUNTY  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
 June 30, 2009**

<b>Total Governmental Fund Balances</b>		\$ 7,564,644
<i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,992,364
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Property taxes receivable		92,495
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	(4,836,041)	
Compensated absences payable	(406,680)	
		(5,242,721)
<b><i>Net Assets of Governmental Activities</i></b>		<b><u>\$ 5,406,782</u></b>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*For the Fiscal Year Ended June 30, 2009*

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Classroom Facilities Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Property and Other Local Taxes	\$ 1,053,898	\$ 172,988	\$ -	\$ 123,368	\$ 1,350,254
Income Tax	414,306	-	-	-	414,306
Intergovernmental	2,253,972	21,307	1,834,361	280,593	4,390,233
Interest	16,184	220	33,007	8,997	58,408
Tuition and Fees	927,660	-	-	-	927,660
Extracurricular Activities	-	-	-	163,939	163,939
Gifts and Donations	2	-	-	28,390	28,392
Customer Sales and Services	525	-	-	169,443	169,968
Miscellaneous	2,304	-	-	-	2,304
Total Revenues	<u>4,668,851</u>	<u>194,515</u>	<u>1,867,368</u>	<u>774,730</u>	<u>7,505,464</u>
<b>EXPENDITURES</b>					
Current:					
Instruction:					
Regular	2,251,464	-	-	66,216	2,317,680
Special	308,724	-	-	85,505	394,229
Vocational	195,990	-	-	-	195,990
Other	30,595	-	-	-	30,595
Support Services:					
Pupils	119,764	-	-	23,528	143,292
Instructional Staff	149,496	-	-	1,445	150,941
Board of Education	15,436	-	-	-	15,436
Administration	496,769	-	-	3,601	500,370
Fiscal	205,544	3,313	-	2,718	211,575
Business	939	-	-	-	939
Operation and Maintenance of Plant	425,505	-	-	10,686	436,191
Pupil Transportation	229,636	-	-	-	229,636
Central	68,577	-	-	3,319	71,896
Operation of Non-Instructional					
Services	-	-	-	252,658	252,658
Extracurricular Activities	222,925	-	-	190,956	413,881
Capital Outlay	-	-	189,115	254,977	444,092
Debt Service:					
Principal	-	4,922,991	-	-	4,922,991
Interest	-	43,883	-	-	43,883
Advance Refunding Escrow	-	(9,117)	-	-	(9,117)
Total Expenditures	<u>4,721,364</u>	<u>4,961,070</u>	<u>189,115</u>	<u>895,609</u>	<u>10,767,158</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(52,513)</u>	<u>(4,766,555)</u>	<u>1,678,253</u>	<u>(120,879)</u>	<u>(3,261,694)</u>
<b>OTHER FINANCING SOURCES AND USES</b>					
Transfers In	-	4,830,000	-	-	4,830,000
General Obligation Bonds Issued	-	-	4,831,328	-	4,831,328
Tax Anticipation Notes Issued	-	-	3,853,894	976,106	4,830,000
Transfers Out	-	-	(4,830,000)	-	(4,830,000)
Total Other Financing Sources and Uses	<u>-</u>	<u>4,830,000</u>	<u>3,855,222</u>	<u>976,106</u>	<u>9,661,328</u>
Net Change in Fund Balances	(52,513)	63,445	5,533,475	855,227	6,399,634
Fund Balance at Beginning of Year	633,851	-	-	531,159	1,165,010
Fund Balance at End of Year	<u>\$ 581,338</u>	<u>\$ 63,445</u>	<u>\$ 5,533,475</u>	<u>\$ 1,386,386</u>	<u>\$ 7,564,644</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 6,399,634**

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

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

Capital outlays - depreciable capital assets	241,874	
Depreciation	<u>(143,371)</u>	98,503

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

Property taxes	(2,228)	
Income taxes	(1,845)	
Intergovernmental	<u>5,579</u>	1,506

Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 4,924,333

General obligation bonds issued (4,831,328)

Tax anticipation notes issued (4,830,000)

Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds. (91,663)

Compensated absences reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds. 29,847

***Change in Net Assets of Governmental Activities*** **\$ 1,700,832**

*The accompanying notes are an integral part of these 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, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property and Other Local Taxes	\$ 999,426	\$ 1,031,512	\$ 1,026,599	\$ (4,913)
Income Tax	420,000	427,327	427,327	-
Intergovernmental	2,270,091	2,287,847	2,254,002	(33,845)
Interest	50,000	50,000	16,789	(33,211)
Tuition and Fees	873,636	930,264	927,660	(2,604)
Gifts and Donations	100	100	2	(98)
Customer Sales and Services	1,000	1,000	525	(475)
Miscellaneous	300	1,737	1,556	(181)
Total Revenues	<u>4,614,553</u>	<u>4,729,787</u>	<u>4,654,460</u>	<u>(75,327)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	2,276,492	2,256,728	2,243,715	13,013
Special	225,848	318,380	307,526	10,854
Vocational	200,380	207,937	200,336	7,601
Other	19,809	30,595	30,595	-
Support Services:				
Pupils	99,348	117,545	116,032	1,513
Instructional Staff	140,860	160,924	154,348	6,576
Board of Education	17,049	17,049	15,441	1,608
Administration	459,278	468,067	464,166	3,901
Fiscal	191,814	204,721	202,319	2,402
Business	1,044	1,044	939	105
Operation and Maintenance of Plant	436,734	438,263	426,821	11,442
Pupil Transportation	268,909	266,859	232,398	34,461
Central	53,773	68,980	68,272	708
Extracurricular Activities	208,353	214,304	213,553	751
Capital Outlay	122	122	-	122
Total Expenditures	<u>4,599,813</u>	<u>4,771,518</u>	<u>4,676,461</u>	<u>95,057</u>
Excess of Revenues Over (Under)				
Expenditures	14,740	(41,731)	(22,001)	19,730
<b>OTHER FINANCING SOURCES AND USES</b>				
Refund of Prior Year Expenditures	-	748	748	-
Total Other Financing Sources and Uses	-	748	748	-
Net Change in Fund Balances	14,740	(40,983)	(21,253)	19,730
Fund Balance at Beginning of Year	931,758	931,758	931,758	-
Prior Year Encumbrances Appropriated	16,301	16,301	16,301	-
Fund Balance at End of Year	<u>\$ 962,799</u>	<u>\$ 907,076</u>	<u>\$ 926,806</u>	<u>\$ 19,730</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
 FULTON COUNTY  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2009**

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 656	\$ 57,802
Total Assets	656	57,802
<b>LIABILITIES</b>		
Current Liabilities:		
Undistributed Monies	-	57,802
Total Liabilities	-	57,802
<b>NET ASSETS</b>		
Held in Trust for Scholarships	656	-
Total Net Assets	\$ 656	\$ -

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
 FULTON COUNTY  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 For the Fiscal Year Ended June 30, 2009**

	<b>Private Purpose Trust</b>
Change in Net Assets	\$ -
Net Assets Beginning of Year	<u>656</u>
Net Assets End of Year	<u><u>656</u></u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 1 – DESCRIPTION OF THE SCHOOL 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 24 non-certified and 43 certified full-time teaching personnel who provide services to 570 students and other community members.

Reporting Entity

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Pettisville Local School 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 Education Council’s Employee Insurance Benefit Program, 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 18, 19, and 20 to the basic financial statements.

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

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. 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 financial 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**  
*June 30, 2009*

**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. These statements usually distinguish between those activities of the District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the District has no business-type activities.

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 expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and; therefore, clearly identifiable to a particular function. Program revenues 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. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the 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 are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented 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 funds of the District are divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's three major funds are the General Fund, the Bond Retirement Debt Service Fund, and the Classroom Facilities Capital Projects 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.

Bond Retirement Fund – The Bond Retirement Debt Service Fund is used to account for the accumulation of resources for and the payment of principal and interest on loans and on general obligation bonds for the construction of new facilities.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Classroom Facilities Fund – The Classroom Facilities Capital Projects 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, whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 only trust fund is a private purpose trust which is an endowment held for scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities.

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Process**

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 function level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level in the General Fund and at the function and object level within all other funds are made by the District Treasurer.

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 appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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.

**F. 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. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2009, investments consisted of money market funds, which are reported at cost, and governmental agency notes and bankers' acceptances, which we reported at market value.

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 2009 amounted to \$16,184 and \$42,224 to other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with an original maturity 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  
June 30, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, 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 purchase of textbooks and instructional material.

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Land Improvements	15 – 30 years
Buildings & Building Improvements	30 – 50 years
Furniture and Fixtures	5 – 20 years
Vehicles	5 – 15 years
Equipment	10 years

**J. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from interfund loans are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**L. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**N. Fund Balance Reserves and Designations**

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

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**O. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments made for interfund services provided and used are not eliminated.

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

**P. Estimates**

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

**Q. Pass-Through Grants**

The Handicapped Preschool special revenue fund is a pass-through grant in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET SSETS**

**A. Changes in Accounting Principles**

For fiscal year 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, Statement No. 51, “Accounting and Financial Reporting for Intangible Assets” and Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments.”

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

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



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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

<b>Changes in Fund Balance</b>	
GAAP Basis	\$ (52,513)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received in Cash FY 2009	267,622
Accrued FY 2009, Not Yet Received in Cash	(282,015)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(581,863)
Accrued FY 2009, Not Yet Paid in Cash	649,751
Encumbrances Outstanding at Fiscal Year End	
Budget Basis)	(22,235)
Budget Basis	\$ (21,253)

**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 District Treasury. Active monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**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 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 un-deposited cash on hand.

**Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$2,356,124. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$2,182,253 of the District's bank balance of \$2,439,199 was exposed to custodial credit risk as described below, while \$256,946 was covered by Federal Deposit Insurance Corporation.

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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 specific collateral held at the Federal Reserve Bank in the name of the District.

**Investments**

As of June 30, 2009, the District had the following investments:

<b>Investment Type</b>	<b><u>Carrying and Fair Value</u></b>	<b><u>Less Than 1 Year</u></b>	<b><u>1 to 2 Years</u></b>
Federal Home Loan Mortgage Corporation Notes	\$ 2,660,287	\$ 249,050	\$ 2,411,237
Federal Home Loan Bank Notes	2,336,847	2,336,847	-
Money Market Mutual Fund	730,290	730,290	-
Total Investments	<u>\$ 5,727,424</u>	<u>\$ 3,316,187</u>	<u>\$ 2,411,237</u>

*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.

**Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2009:

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

<u>Cash &amp; Investment per Footnote</u>	
Carrying Amount of Deposits	\$ 2,356,124
Investments	<u>5,727,424</u>
Total	<u>\$ 8,083,548</u>
 <u>Cash &amp; Investment per Statement of Net Assets</u>	
Governmental Activities	\$ 8,025,090
Private Purpose & Trust Funds	656
Agency Funds	<u>57,802</u>
Total	<u>\$ 8,083,548</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 property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 become a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
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**NOTE 6 – PROPERTY TAXES (CONTINUED)**

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2009 and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$71,861 in the General Fund, \$21,484 in the Bond Retirement debt service fund, and \$9,478 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2008, was \$62,449 in the General Fund and \$7,191 in the Permanent Improvement capital projects fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second-Half		2009 First-Half	
	<u>Collections</u>		<u>Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$34,656,160	82.68	\$37,589,880	86.06
Industrial/Commercial	3,479,260	8.30	3,680,480	8.43
Public Utility	2,505,460	5.98	2,408,380	5.51
Tangible Personal	1,275,869	3.04	-	-
Total Assessed Value	<u>\$41,916,749</u>	<u>100.00</u>	<u>\$43,678,740</u>	<u>100.00</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 50.80</u>		<u>\$ 58.66</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 – RECEIVABLES**

Receivables at June 30, 2009, consisted of accrued interest, interfund, intergovernmental, property taxes, and income taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and income taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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**NOTE 8 – RECEIVABLES (CONTINUED)**

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Other Governmental Funds	
Drug Free Grant	\$ 959
Rural Education Achievement Program	39,280
Total Intergovernmental Receivables	<u>\$ 40,239</u>

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets:				
Land	\$ 275,900	\$ 235,337	\$ -	\$ 511,237
Total Non-Depreciable Capital Assets	<u>275,900</u>	<u>235,337</u>	<u>-</u>	<u>511,237</u>
Depreciable Capital Assets:				
Land Improvements	494,349	-	-	494,349
Buildings & Building Improvements	3,552,611	-	-	3,552,611
Furniture, Fixtures, & Equipment	420,112	-	-	420,112
Vehicles	680,972	-	-	680,972
Books	397,572	6,537	-	404,109
Total Depreciable Capital Assets	<u>5,545,616</u>	<u>6,537</u>	<u>-</u>	<u>5,552,153</u>
Less Accumulated Depreciation:				
Land Improvements	202,123	35,771	-	237,894
Buildings & Building Improvements	1,575,707	63,503	-	1,693,210
Furniture, Fixtures, & Equipment	310,429	22,901	-	333,330
Vehicles	484,011	18,683	-	502,694
Books	355,385	2,513	-	357,898
Total Accumulated Depreciation	<u>2,927,655</u>	<u>143,371</u>	<u>-</u>	<u>3,071,026</u>
Depreciable Capital Assets, Net	<u>2,617,961</u>	<u>(136,834)</u>	<u>-</u>	<u>2,481,127</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,893,861</u>	<u>\$ 98,503</u>	<u>\$ -</u>	<u>\$ 2,992,364</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**NOTE 9 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	79,077
Vocational		201
Support Services:		
Instructional Staff		2,877
Administration		654
Central		1,333
Operation and Maintenance of Plant		2,556
Pupil Transportation		19,470
Non-Instructional Services		3,992
Extracurricular		28,033
Capital Outlay		5,178
Total Depreciation Expense	<u>\$</u>	<u>143,371</u>

**NOTE 10 – INTERFUND ASSETS/LIABILITIES**

At June 30, 2009, the General Fund, Bond Retirement Fund, and other governmental funds had an interfund receivable from Classroom Facilities Fund, and other Governmental Funds in the amounts of \$9,919 and \$9,919, respectively, for short-term loans made to those funds.

**NOTE 11 – 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.

Coverage provided by Schools of Ohio Risk Sharing Authority:

General Liability:		
Bodily Injury & Property Damage	\$	11,000,000
Personal Injury/Advertising Liability	\$	11,000,000
Products/Completed Operations	\$	11,000,000
Employee Benefits Liability	\$	11,000,000
Employers Stop Gap Liability:		
Bodily Injury by Accident (each accident)	\$	1,000,000
Bodily Injury by Disease (policy limit)	\$	1,000,000
Bodily Injury by Disease (each employee)	\$	1,000,000
Aggregate Limit	\$	1,000,000
General Annual Aggregate	\$	13,000,000
Fire Legal Liability	\$	500,000
Medical Payments Occurrence/Aggregate	\$	5,000/25,000
Educators' Legal Liability:		
Wrongful Acts (\$1,000 deductible)	\$	11,000,000
Automobile Liability:		
Bodily Injury & Property Damage	\$	11,000,000
Medical Payments (Occurrence/Aggregate)	\$	5,000/25,000
Uninsured/Underinsured Motorist	\$	1,000,000

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**NOTE 11 – RISK MANAGEMENT (CONTINUED)**

Automobile Physical Damage	Actual Cash Value Except Replacement Cost on all buses 15 years and newer
Garage Keepers Physical Damage:	Actual Cash Value (\$100,000 Maximum)
Property:	
Building & Business Personal Property Limit Including Property Extensions	\$ 15,215,426
Earth Movement Limit (\$50,000 deductible)	\$ 2,000,000
Flood Limit (\$50,000 deductible)	\$ 2,000,000
Equipment Breakdown:	\$ 25,000,000
CFC Refrigerants	\$ 25,000
Hazardous Substance Contamination	\$ 50,000
Spoilage	\$ 10,000
Expediting Expenses	\$ 50,000
Crime Coverage:	
Employee Dishonesty Including Faithful Performance of Duty	\$ 100,000
Forgery or Alteration	\$ 100,000
Computer Fraud	\$ 100,000
Theft, Disappearance & Destruction	\$ 100,000

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 the prior fiscal year.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The District pays monthly premiums to the Northern Buckeye Education Council (NBEC) for the benefits offered to its employees including medical, dental, vision, and life insurance. NBEC is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, 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 of the participants 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.



**PETTISVILLE LOCAL SCHOOL DISTRICT**  
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**NOTE 11 – RISK MANAGEMENT (CONTINUED)**

Participation in the Plan is limited to 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 12 – DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

Plan Description – The District contributes to 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 the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP) and a Combined Plan (CP). The DBP 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 DCP 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 CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP 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 DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP 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, 2009, plan members were required to contribute 10 percent of their annual covered salary. 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 contribution for pension obligations to STRS Ohio for fiscal years ended June 30, 2009, 2008, and 2007 was \$339,324, \$345,270, and \$338,570, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. School Employees Retirement System**

Plan Description – The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$97,308, \$70,286, and \$86,294, respectively; 46 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

**NOTE 13 – 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](http://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 2009, 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, 2009, 2008, and 2007 was \$22,874, \$22,853, and \$28,308.

**B. School Employees Retirement System**

Plan Description – The District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 13 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(C). For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, the surcharge amount was \$10,185.

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

The District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$39,099, \$41,700, and \$36,925, respectively; 49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$5,213, \$5,064, and \$5,546, respectively; 49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 – OTHER EMPLOYEE BENEFITS**

**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 Education Council Employee Insurance Benefits Program.

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 15 – LONG-TERM OBLIATIONS**

Changes in the District’s long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amount Due Within One Year
Governmental Activities					
Special Waterline Assessment	\$ 7,383	\$ -	\$ 1,342	\$ 6,041	\$ 1,342
General Obligation Bonds					
School Facilities Improvement Bonds:					
Serial Bonds 2.5 – 3.7%	-	1,020,000	-	1,020,000	20,000
Term Bonds 4.3 – 5.0%	-	3,785,000	-	3,785,000	-
Capital Appreciation Bonds	-	25,000	-	25,000	-
Total General Obligation Bonds	-	4,830,000	-	4,830,000	20,000
Compensated Absences Payable	397,220	406,680	397,220	406,680	-
Total Governmental Activities					
Long-Term Obligations	<u>\$ 404,603</u>	<u>\$ 5,236,680</u>	<u>\$ 398,562</u>	<u>\$ 5,242,721</u>	<u>\$ 21,342</u>

Special Waterline Assessment Loan – In 2003, 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.

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
2009	\$ 20,000	3.00%
2010	105,000	2.50%
2011	105,000	2.50%
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% per year, and are subject to mandatory sinking fund redemption at a redemption price of 100% 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**  
*June 30, 2009*

**NOTE 15 – LONG-TERM OBLIATIONS (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% per year, and are subject to mandatory sinking fund redemption price of 100% 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% per year, and are subject to mandatory sinking fund redemption price of 100% 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 \$145,000 and mature on December 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	\$ 14,335	\$ 140,000
2017	10,665	140,000

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 15 – LONG-TERM OBLIATIONS (CONTINUED)**

The value of the capital appreciation bonds reported at June 30, 2009 was \$25,000. The annual accretion of interest is based on the straight-line method, which approximates the equity interest method. Total accreted interest of \$0 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, 2009 was \$43,883.

The schedule payments of principal and interest on debt outstanding at June 30, 2009 are as follows:

Special Waterline Assessment Loan

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,342	\$ 333	\$ 1,675
2011	1,342	265	1,607
2012	1,342	190	1,532
2013	1,342	114	1,456
2014	<u>673</u>	<u>38</u>	<u>711</u>
Total	<u>\$ 6,041</u>	<u>\$ 940</u>	<u>\$ 6,981</u>

General Obligation Bonds

	<u>Capital</u>			<u>Interest</u>	<u>Total</u>
	<u>Serial</u>	<u>Term</u>	<u>Appreciation</u>		
2010	\$ 20,000	\$ -	\$ -	\$ 213,184	\$ 233,184
2011	105,000	-	-	211,571	316,571
2012	105,000	-	-	208,946	313,946
2013	120,000	-	-	205,834	325,834
2014	120,000	-	-	202,234	322,234
2015-2019	405,000	-	25,000	1,223,581	1,653,581
2020-2024	145,000	645,000	-	859,579	1,649,579
2025-2029	-	980,000	-	661,901	1,641,900
2030-2034	-	1,245,000	-	390,484	1,635,484
2035-2039	-	915,000	-	70,125	985,125
Total	<u>\$ 1,020,000</u>	<u>\$ 3,785,000</u>	<u>\$ 25,000</u>	<u>\$ 4,247,439</u>	<u>\$ 9,077,439</u>

**NOTE 16 – 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 2009, the District had expenditures of \$550 for the operating lease. The following schedule is of future minimum lease payments as of June 30, 2009.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 600
2011	600
2012	600
2013	600
2014	<u>50</u>
Total minimum lease payment	<u>\$ 2,450</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 17 – 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 purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital acquisitions during fiscal year 2009.

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2008	\$ (74,977)	\$ -
Current Year Set-Aside Requirement	89,213	89,213
Qualifying Disbursements	(103,195)	(289,425)
Total	\$ (88,959)	\$ (200,212)
Cash Balance Carried Forward to FY 2010	\$ (88,959)	\$ -

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero in the capital acquisitions. The District may have had additional offsets and qualifying disbursements during the year. These extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTE 18 – 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 2009, the District paid \$63,540 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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

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

**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 19 – GROUP PURCHASING POOLS**

**A. Northern Buckeye Education Council's Employee Insurance Benefits Program**

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

**B. Northern Buckeye Education Council 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.

**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.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pools. The Board of Directors consists of Superintendents, Treasurers, and 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 the SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.



**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2009*

**NOTE 20 – 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 21 – 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, 2009.

**B. Litigation**

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

# STEYER & CO.

*Certified Public Accountants*

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DEFIANCE, OHIO 43512  
PHONE (419) 782-1030  
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**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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2011. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: Findings Number 2009-1 through 2009-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding Number 2009-1 to be a material weakness.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2009-3.

We noted certain matters that we reported to management of the District in a separate letter dated February 1, 2011.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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  
February 1, 2011

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

*June 30, 2009*

**2009-1 Material Weakness  
Financial Reporting**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial 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 material errors were present in the District-prepared financial statements. These material errors affected the General Fund, Classroom Facilities Fund, and Other Governmental Funds. These material differences dealt with accounting calculations 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.

**2009-2 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 FINDINGS AND RESPONSES**

*June 30, 2009*

**2009-3 Significant Deficiency  
Noncompliance Citation**

Generally accepted accounting principles provide that the general fund accounts for all resources except those required to be accounted for in other funds. Additionally, Ohio Revised Code §5705.10 states in part that revenue derived from the general levy be paid into the general fund and that all revenue derived from a special levy be credited to a special fund for the purpose for which the levy was made. It also states that money paid into a fund must be used only for the purposes for which each fund has been established.

During the year ended June 30, 2009, the District recorded \$35 of tax receipts in the permanent improvement fund, for the general fund. This error was located during the audit and the June 30, 2009 basic financial statements were adjusted to properly reflect the receipts in the general fund and permanent improvement fund.

We recommend that the treasurer establish procedures to review the posting of tax receipts. Such a review would provide assurance that the revenue is properly recorded and levies are allocated in compliance with the requirements of the Ohio Revised Code.

**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, 2009**

Finding Number	Finding Summary	Fully Corrected?	Action Taken
2008-1	Material Weakness Errors in District-prepared financial statements.	No	Not Corrected. Reissued as finding 2009-1.
2008-2	Significant Deficiency Lack of segregation of duties.	No	Not Corrected. Reissued as finding 2009-2.
2008-3	Significant Deficiency Ohio Revised Code §5705.10 Recording in proper fund.	No	Not corrected. Reissued as finding 2009-3.

**INDEPENDENT AUDITOR'S REPORT ON APPLYING  
AGREED UPON PROCEDURES**

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

To the Board of Education:

Ohio Rev. Code §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 §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 (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code §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 Board. Consequently; we make no representation regarding the sufficiency 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 August 13, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code §3313.666(B):
  - a. A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - b. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code §3313.666;
  - c. A procedure for reporting prohibited incidents;
  - d. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- e. A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by §3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- f. A procedure for documenting any prohibited incident that is reported;
- g. A procedure for responding to and investigating any reported incident;
- h. A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- i. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student’s rights under the first amendment to the Constitution of the United States;
- j. A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by §3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



STEYER & CO.  
Certified Public Accountants

Defiance, Ohio  
February 1, 2011





# 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 9, 2011**