

PETTISVILLE LOCAL SCHOOL DISTRICT

FULTON COUNTY

FINANCIAL STATEMENTS

Year Ended June 30, 2010



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, 2009 through June 30, 2010. 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.

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Dave Yost
Auditor of State

May 25, 2011

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STEYER & CO.

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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, 2010, 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, 2010, 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.

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

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, 2010
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, 2010. 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 2010 are as follows:

In total, net assets increased \$8,662,096.

General revenues accounted for \$3,981,083, or 26.4 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 \$11,076,910, or 73.6 percent of total revenues of \$15,057,993.

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

The General Fund had \$4,632,525 in revenues and \$4,449,789 in expenditures. There were no significant changes in the General Fund revenues or expenditures between 2009 and 2010. The General Fund's balance increased \$182,736 from the prior fiscal year.

The Bond Retirement Fund had \$331,344 in revenues and \$239,580 in expenditures. The Bond Retirement Fund's balance increased \$91,764 from the prior fiscal year.

The Classroom Facilities Fund had \$9,258,292 in revenues and \$1,250,720 in expenditures. The Classroom Facilities Fund's balance increased \$8,007,572 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 2010. These statements include all assets and liabilities using the accrual basis of 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

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

In the 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, 2010
UNAUDITED**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2010 compared to fiscal year 2009.

**Table 1
Net Assets
Governmental Activities**

<u>Assets:</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
Current and Other Assets	\$18,222,691	\$ 9,700,413	\$ 8,522,278
Capital Assets, Net	<u>3,264,335</u>	<u>2,992,364</u>	<u>271,971</u>
Total Assets	21,487,026	12,692,777	8,794,249
 <u>Liabilities:</u>			
Current and Other Liabilities	2,166,878	2,043,274	123,604
Long-Term Liabilities	<u>5,251,270</u>	<u>5,242,721</u>	<u>8,549</u>
Total Liabilities	7,418,148	7,285,995	132,153
 <u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	2,460,699	2,778,431	(317,732)
Restricted	11,205,703	2,404,677	8,801,026
Unrestricted	<u>402,476</u>	<u>223,674</u>	<u>178,802</u>
Total Net Assets	<u>\$14,068,878</u>	<u>\$ 5,406,782</u>	<u>\$ 8,662,096</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 2010 compared to fiscal year 2009.

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

<u>Revenues:</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
<u>Program Revenues:</u>			
Charges for Services and Sales	\$ 1,339,574	\$ 1,261,567	\$ 78,007
Operating Grants and Contributions	494,574	416,243	78,331
Capital Grants and Contributions	<u>9,242,762</u>	<u>1,834,361</u>	<u>7,408,401</u>
Total Program Revenues	11,076,910	3,512,171	7,564,739
 <u>General Revenues:</u>			
Property Taxes	1,415,422	1,348,026	67,396
Income Taxes	388,892	412,461	(23,569)
Grants and Entitlements	2,162,304	2,145,208	17,096
Investment Earnings	35,216	58,408	(23,192)
Gifts and Donations	13,287	28,392	(15,105)
Miscellaneous	11,637	2,304	9,333
Net loss from sale of capital assets	(53,271)	-	(53,271)
Insurance recovery	<u>7,596</u>	-	<u>7,596</u>
Total General Revenues	<u>3,981,083</u>	<u>3,994,799</u>	<u>(13,716)</u>
Total Revenues	<u>\$15,057,993</u>	<u>\$ 7,506,970</u>	<u>\$ 7,551,023</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

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

<u>Expenses:</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
Instruction	\$ 2,944,008	\$ 3,021,342	\$ (77,334)
Support Services:			
Pupils	175,448	143,623	31,825
Instructional Staff	127,395	146,484	(19,089)
Board of Education	19,500	15,436	4,064
Administration	494,135	503,796	(9,661)
Fiscal	203,712	207,018	(3,306)
Business	1,227	939	288
Operation and Maintenance of Plant	424,569	424,744	(175)
Pupil Transportation	244,901	238,216	6,685
Central	81,779	73,229	8,550
Non-Instructional Services	255,925	251,997	3,928
Extracurricular Activities	376,402	438,952	(62,550)
Capital Outlay	803,636	213,933	589,703
Interest and Fiscal Charges	<u>243,260</u>	<u>126,429</u>	<u>116,831</u>
Total Expenses	<u>6,395,897</u>	<u>5,806,138</u>	<u>589,759</u>
Increase in Net Assets	8,662,096	1,700,832	6,961,264
Net Assets at Beginning of Year	<u>5,406,782</u>	<u>3,705,950</u>	<u>1,700,832</u>
Net Assets at End of Year	<u>\$14,068,878</u>	<u>\$ 5,406,782</u>	<u>\$ 8,662,096</u>

There was a significant increase in program revenues in fiscal year 2010 due to the resources received from the Ohio School Facilities Commission for the building of a new school. The overall change in general revenues was not significant.

Governmental Activities

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$ 2,944,008	\$ 3,021,342	\$ 1,622,037	\$ 1,776,974
Support Services:				
Pupils	175,448	143,623	49,122	142,444
Instructional Staff	127,395	146,484	127,395	144,414
Board of Education	19,500	15,436	19,500	15,436
Administration	494,135	503,796	489,135	498,796
Fiscal	203,712	207,018	203,712	207,018
Business	1,227	939	1,227	939
Operation & Maintenance of				
Plant	424,569	424,744	413,439	424,744
Pupil Transportation	244,901	238,216	238,494	230,161
Central	81,779	73,229	81,779	67,229
Non-Instructional Services	255,925	251,997	9,714	4,798
Extracurricular Activities	376,402	438,952	259,299	275,013
Capital Outlay	803,636	213,933	(8,439,126)	(1,620,428)
Interest and Fiscal Charges	243,260	126,429	243,260	126,429
Total Expenses	<u>\$ 6,395,897</u>	<u>\$ 5,806,138</u>	<u>\$ 4,681,013</u>	<u>\$ 2,293,967</u>

Table 3 demonstrates the dependence on tax revenues and unrestricted state entitlements is apparent over 55 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenue is 10 percent. The remaining 90 percent is divided from tuition and fees, specific grants, and donations.

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 2010, 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$3,264,335 invested in capital assets (net of accumulated depreciation), an increase of approximately 9 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, 2010, the District had \$4,840,076 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 \$4,699 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, 2010, the District's overall legal debt margin was \$752,781, with an un-voted debt margin of \$43,690.

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.

The District is currently operating in the second year of the state biennium budget. 57 percent of District revenue sources are from local funds, and the sale of construction bonds and notes, 41 percent from state funds and the remaining 1 percent is from federal funds. The total expenditure per pupil was calculated at \$9,326.

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 \$453,796 in fiscal year 2008 and has fallen to \$398,675 in fiscal year 2010. 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, 2010

	Governmental Activities
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 7,440,413
Restricted Cash - escrow	27,460
Investments	8,856,136
Materials and Supplies Inventory	12,045
Accrued Interest Receivable	4,798
Intergovernmental Receivable	71,008
Taxes Receivable	1,629,389
Income Taxes Receivable	181,442
Noncurrent Assets	
Non-Depreciable Capital Assets	966,290
Depreciable Capital Assets, net	2,298,045
Total Assets	21,487,026
LIABILITIES	
Current Liabilities	
Accounts Payable	22,931
Accrued Wages and Benefits	532,272
Intergovernmental Payable	121,916
Matured Compensated Absences Payable	63,388
Deferred Revenue	1,426,371
Long-Term Liabilities:	
Due Within One Year	106,342
Due in More Than One Year	5,144,928
Total Liabilities	7,418,148
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,460,699
Restricted for Debt Service	159,997
Restricted for Capital Outlay	10,614,892
Restricted for Other Purposes	430,814
Unrestricted	402,476
Total Net Assets	\$ 14,068,878

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, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES:					
Instruction:					
Regular	\$ 2,425,486	\$ 1,063,511	\$ 107,347	\$ -	\$ (1,254,628)
Special	274,581	-	126,867	-	(147,714)
Vocational	219,965	-	24,246	-	(195,719)
Other	23,976	-	-	-	(23,976)
Support Services:					
Pupils	175,448	-	126,326	-	(49,122)
Instructional Staff	127,395	-	-	-	(127,395)
Board of Education	19,500	-	-	-	(19,500)
Administration	494,135	-	5,000	-	(489,135)
Fiscal	203,712	-	-	-	(203,712)
Business	1,227	-	-	-	(1,227)
Operation and Maintenance of Plant	424,569	-	11,130	-	(413,439)
Pupil Transportation	244,901	-	6,407	-	(238,494)
Central	81,779	-	-	-	(81,779)
Operation of Non-Instructional Services	255,925	158,960	87,251	-	(9,714)
Extracurricular Activities	376,402	117,103	-	-	(259,299)
Capital Outlay	803,636	-	-	9,242,762	8,439,126
Interest and Fiscal Charges	243,260	-	-	-	(243,260)
Totals	\$ 6,395,897	\$ 1,339,574	\$ 494,574	\$ 9,242,762	4,681,013
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					995,176
Property Taxes, Levied for Capital Outlay					113,552
Property Taxes, Levied for Debt Service					288,445
Property Taxes, Levied for Other					18,249
Income Taxes					388,892
Grants and Entitlements not Restricted to					
Specific Programs					2,162,304
Gifts and Donations					13,287
Investment Earnings					35,216
Miscellaneous					11,637
Net loss from disposal of capital assets					(53,271)
Insurance Recoveries					7,596
<i>Total General Revenues</i>					3,981,083
<i>Change in Net Assets</i>					8,662,096
<i>Net Assets Beginning of Year</i>					5,406,782
<i>Net Assets End of Year</i>					\$ 14,068,878

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,164,760	\$ 123,363	\$ 5,435,327	\$ 744,423	\$ 7,467,873
Investments	-	-	8,107,407	748,729	8,856,136
Materials and Supplies Inventory	-	-	-	12,045	12,045
Accrued Interest Receivable	305	-	3,880	613	4,798
Interfund Receivable	2,478	54	-	5,567	8,099
Intergovernmental Receivable	-	-	-	71,008	71,008
Taxes Receivable	1,202,209	292,939	-	134,241	1,629,389
Income Taxes Receivable	181,442	-	-	-	181,442
Total Assets	<u>\$ 2,551,194</u>	<u>\$ 416,356</u>	<u>\$ 13,546,614</u>	<u>\$ 1,716,626</u>	<u>\$ 18,230,790</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 19,335	\$ -	\$ -	\$ 3,596	\$ 22,931
Accrued Wages and Benefits	494,567	-	-	37,705	532,272
Interfund Payable	-	-	5,567	2,532	8,099
Intergovernmental Payable	112,057	-	-	9,859	121,916
Matured Compensated Absences Payable	63,388	-	-	-	63,388
Deferred Revenue	1,097,773	261,147	-	182,985	1,541,905
Total Liabilities	<u>1,787,120</u>	<u>261,147</u>	<u>5,567</u>	<u>236,677</u>	<u>2,290,511</u>
FUND BALANCES					
Reserved for:					
Encumbrances	10,933	-	729,959	55,143	796,035
Inventory	-	-	-	12,045	12,045
Property Taxes	80,827	23,684	-	10,567	115,078
Unreserved, Undesignated, Reported in:					
General Fund	672,314	-	-	-	672,314
Special Revenue Funds	-	-	-	354,613	354,613
Debt Service Fund	-	131,525	-	-	131,525
Capital Projects Funds	-	-	12,811,088	1,047,581	13,858,669
Total Fund Balances	<u>764,074</u>	<u>155,209</u>	<u>13,541,047</u>	<u>1,479,949</u>	<u>15,940,279</u>
Total Liabilities and Fund Balances	<u>\$ 2,551,194</u>	<u>\$ 416,356</u>	<u>\$ 13,546,614</u>	<u>\$ 1,716,626</u>	<u>\$ 18,230,790</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, 2010**

Total Governmental Fund Balances		\$ 15,940,279
<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.		3,264,335
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Property taxes receivable		115,534
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	(4,844,775)	
Compensated absences payable	(406,495)	
		(5,251,270)
<i>Net Assets of Governmental Activities</i>		<u>\$ 14,068,878</u>

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, 2010

	General Fund	Bond Retirement Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES					
Property and Other Local Taxes	\$ 1,000,229	\$ 287,850	\$ -	\$ 131,766	\$ 1,419,845
Income Tax	387,958	-	-	-	387,958
Intergovernmental	2,166,735	42,986	3,956,838	425,202	6,591,761
Interest	5,556	508	16,903	12,249	35,216
Tuition and Fees	1,063,511	-	-	-	1,063,511
Extracurricular Activities	-	-	-	117,103	117,103
Gifts and Donations	-	-	-	13,287	13,287
Customer Sales and Services	-	-	-	158,960	158,960
Miscellaneous	837	-	5,284,551	7,600	5,292,988
Total Revenues	<u>4,624,826</u>	<u>331,344</u>	<u>9,258,292</u>	<u>866,167</u>	<u>15,080,629</u>
EXPENDITURES					
Current:					
Instruction:					
Regular	2,250,215	-	-	106,125	2,356,340
Special	183,008	-	-	91,056	274,064
Vocational	218,698	-	-	-	218,698
Other	23,976	-	-	-	23,976
Support Services:					
Pupils	39,925	-	-	135,407	175,332
Instructional Staff	126,110	-	-	2,662	128,772
Board of Education	19,500	-	-	-	19,500
Administration	463,057	-	-	31,784	494,841
Fiscal	188,845	6,396	-	2,919	198,160
Business	1,227	-	-	-	1,227
Operation and Maintenance of Plant	416,968	-	-	6,640	423,608
Pupil Transportation	228,371	-	-	-	228,371
Central	73,237	-	-	7,209	80,446
Operation of Non-Instructional Services					
Services	-	-	-	251,286	251,286
Extracurricular Activities	216,577	-	-	133,094	349,671
Capital Outlay	75	-	1,250,720	4,422	1,255,217
Debt Service:					
Principal	-	20,000	-	-	20,000
Interest	-	213,184	-	-	213,184
Total Expenditures	<u>4,449,789</u>	<u>239,580</u>	<u>1,250,720</u>	<u>772,604</u>	<u>6,712,693</u>
Excess of Revenues Over (Under) Expenditures	<u>175,037</u>	<u>91,764</u>	<u>8,007,572</u>	<u>93,563</u>	<u>8,367,936</u>
OTHER FINANCING SOURCES AND USES					
Proceeds from Sale of Fixed Assets	103	-	-	-	103
Insurance Recoveries	7,596	-	-	-	7,596
Total Other Financing Sources and Uses	<u>7,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,699</u>
Net Change in Fund Balances	182,736	91,764	8,007,572	93,563	8,375,635
Fund Balance at Beginning of Year	581,338	63,445	5,533,475	1,386,386	7,564,644
Fund Balance at End of Year	<u>\$ 764,074</u>	<u>\$ 155,209</u>	<u>\$ 13,541,047</u>	<u>\$ 1,479,949</u>	<u>\$ 15,940,279</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, 2010**

Net Change in Fund Balances - Total Governmental Funds **\$ 8,375,635**

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	467,259	
Depreciation	<u>(141,914)</u>	
		325,345

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain(loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(53,374)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property taxes	(4,423)	
Income taxes	934	
Intergovernmental	<u>26,528</u>	
		23,039

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

21,342

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.

(30,076)

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.

185

Change in Net Assets of Governmental Activities **\$ 8,662,096**

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, 2010

	Budgeted Amounts		Actual	Variance Final Budget Over (Under)
	Original	Final		
REVENUES				
Property and Other Local Taxes	\$ 979,990	\$ 993,924	\$ 993,543	\$ (381)
Income Tax	400,000	389,675	389,675	-
Intergovernmental	2,262,657	2,172,102	2,166,735	(5,367)
Interest	18,000	5,639	5,639	-
Tuition and Fees	930,000	1,067,747	1,063,511	(4,236)
Gifts and Donations	5	1,239	-	(1,239)
Customer Sales and Services	800	800	-	(800)
Miscellaneous	1,500	1,500	837	(663)
Total Revenues	4,592,952	4,632,626	4,619,940	(12,686)
EXPENDITURES				
Current:				
Instruction:				
Regular	2,070,423	2,243,013	2,236,317	6,696
Special	314,939	184,941	183,121	1,820
Vocational	190,762	215,367	211,266	4,101
Other	3,247	23,976	23,976	-
Support Services:				
Pupils	112,674	56,101	50,690	5,411
Instructional Staff	123,297	130,445	126,795	3,650
Board of Education	13,583	22,983	19,491	3,492
Administration	464,978	459,091	457,914	1,177
Fiscal	196,203	225,601	176,300	49,301
Business	278	1,620	1,227	393
Operation and Maintenance of Plant	282,311	449,540	432,042	17,498
Pupil Transportation	151,171	244,979	229,138	15,841
Central	65,401	74,561	73,216	1,345
Extracurricular Activities	219,943	222,729	217,323	5,406
Capital Outlay	-	75	75	-
Total Expenditures	4,209,210	4,555,022	4,438,891	116,131
Excess of Revenues Over (Under)				
Expenditures	383,742	77,604	181,049	103,445
OTHER FINANCING SOURCES AND USES				
Proceeds from Sale of Fixed Assets	500	500	103	397
Insurance Recoveries	-	7,596	7,596	-
Refund of Prior Year Expenditures	500	500	-	(500)
Total Other Financing Sources and Uses	1,000	8,596	7,699	(103)
Net Change in Fund Balances	384,742	86,200	188,748	103,342
Fund Balance at Beginning of Year	926,806	926,806	926,806	-
Prior Year Encumbrances Appropriated	22,237	22,237	22,237	-
Fund Balance at End of Year	\$ 1,333,785	\$ 1,035,243	\$ 1,137,791	\$ 103,342

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, 2010**

	Private Purpose Trust	Agency Fund
ASSETS		
Equity in Pooled Cash and Cash Equivalents	\$ 656	\$ 36,824
Total Assets	656	36,824
LIABILITIES		
Current Liabilities:		
Undistributed Monies	-	36,824
Total Liabilities	-	36,824
NET ASSETS		
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, 2010**

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

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, 2010

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 26 non-certified and 42 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, 2010

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, 2010

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, 2010

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, 2010, but which were levied to finance fiscal year 2011 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, 2010

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 2010, 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 2010 amounted to \$5,375 and \$29,660 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, 2010**

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, 2010

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
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

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 for 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 2010.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter Bankruptcies".

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (CONTINUED)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

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).

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

Changes in Fund Balance	
GAAP Basis	\$ 182,736
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	281,294
Accrued FY 2010, Not Yet Received in Cash	(286,183)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(649,003)
Accrued FY 2010, Not Yet Paid in Cash	689,347
Encumbrances Outstanding at Fiscal Year End	
Budget Basis)	<u>(29,443)</u>
Budget Basis	<u>\$ 188,748</u>

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

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;
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);

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 Institution

At June 30, 2010, the carrying amount of all District deposits was \$7,505,353. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$7,350,798 of the District's bank balance of \$7,600,798 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk for deposits is the risk that in the event of bank failure, the District's deposits may not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of June 30, 2010, the District had the following investments:

Investment Type	<u>Carrying and Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 2 Years</u>
Federal Farm Credit Banking	\$ 979,581	\$ 499,845	\$ 479,736
Federal National Mortgage Discount Notes	2,523,273	2,523,273	-
Federal Home Loan Bank Notes	5,337,667	5,337,667	-
Money Market Mutual Fund	<u>15,615</u>	<u>15,615</u>	<u>-</u>
Total Investments	<u>\$ 8,856,136</u>	<u>\$ 8,376,400</u>	<u>\$ 479,736</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 to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2010:

<u>Cash per footnote</u>	
Carrying amount of deposits	\$ 7,505,353
Investments	<u>8,856,136</u>
Total	<u>\$ 16,361,489</u>
 <u>Cash per statement of net assets</u>	
Governmental activities	\$ 16,324,009
Private purpose trust funds	656
Agency funds	<u>36,824</u>
Total	<u>\$ 16,361,489</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.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 6 – PROPERTY TAXES (CONTINUED)

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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 become a lien on December 31, 2008, were levied after April 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes. Tangible personal property taxes for 2010 were levied after April 1, 2009, on the value as of December 31, 2008. Tangible personal property is currently assessed at 25 percent of true value. 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.

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

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2010 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, 2010, was \$80,827 in the General Fund, \$31,792 in the Bond Retirement debt service fund, and \$10,562 in the Permanent Improvement capital projects fund. 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

NOTE 6 – PROPERTY TAXES (CONTINUED)

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 2010 taxes were collected are:

	<u>2009 Second-Half</u>		<u>2010 First-Half</u>	
	<u>Collections</u>		<u>Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 37,589,880	86.00	\$ 37,713,150	86.00
Industrial/Commercial	3,731,890	9.00	3,697,950	9.00
Public Utility	<u>2,356,970</u>	<u>5.00</u>	<u>2,279,350</u>	<u>5.00</u>
Total Assessed Value	<u>\$ 43,678,740</u>	<u>100.00</u>	<u>\$ 43,690,450</u>	<u>100.00</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 50.80</u>		<u>\$ 53.16</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, 2010, 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.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Food Service Governmental Funds	\$ 7,290
Drug Free Grant	959
Rural Education Achievement Program	<u>62,759</u>
Total Intergovernmental Receivables	<u>\$ 71,008</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets:				
Land	\$ -	\$ -	\$ -	\$ 511,237
Construction in Progress	<u>511,237</u>	<u>455,053</u>	<u>-</u>	<u>455,053</u>
Total Non-Depreciable Capital Assets	<u>511,237</u>	<u>455,053</u>	<u>-</u>	<u>966,290</u>
Depreciable Capital Assets:				
Land Improvements	494,349	-	6,064	488,285
Buildings & Building Improvements	3,552,611	-	78,545	3,474,066
Furniture, Fixtures, & Equipment	420,112	6,500	34,130	392,482
Vehicles	680,972	-	-	680,972
Books	<u>404,109</u>	<u>5,706</u>	<u>-</u>	<u>409,815</u>
Total Depreciable Capital Assets	<u>5,552,153</u>	<u>12,206</u>	<u>118,739</u>	<u>5,445,620</u>
Less Accumulated Depreciation:				
Land Improvements	237,894	40,321	6,064	275,151
Buildings & Building Improvements	1,693,210	61,109	30,171	1,670,148
Furniture, Fixtures, & Equipment	333,330	22,741	29,130	326,941
Vehicles	502,694	14,798	-	517,492
Books	<u>357,898</u>	<u>2,945</u>	<u>-</u>	<u>360,843</u>
Total Accumulated Depreciation	<u>3,071,026</u>	<u>141,914</u>	<u>65,365</u>	<u>3,147,575</u>
Depreciable Capital Assets, Net	<u>2,481,127</u>	<u>(129,708)</u>	<u>53,374</u>	<u>2,298,045</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,992,364</u>	<u>\$ 325,345</u>	<u>\$ 53,374</u>	<u>\$ 3,264,335</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 76,684
Vocational	201
Support Services:	
Instructional Staff	3,308
Administration	654
Central	1,333
Operation and Maintenance of Plant	2,556
Pupil Transportation	15,585
Non-Instructional Services	3,588
Extracurricular	28,033
Capital Outlay	<u>9,972</u>
Total Depreciation Expense	<u>\$ 141,914</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

NOTE 10 – INTERFUND ASSETS/LIABILITIES

At June 30, 2010, 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 \$8,099 and \$8,099, 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	\$	12,000,000
Personal Injury/Advertising Liability	\$	12,000,000
Products/Completed Operations	\$	12,000,000
Employee Benefits Liability	\$	12,000,000
Employers Stop Gap Liability:		
Bodily Injury by Accident (each accident)	\$	2,000,000
Bodily Injury by Disease (policy limit)	\$	2,000,000
Bodily Injury by Disease (each employee)	\$	2,000,000
Aggregate Limit	\$	2,000,000
General Annual Aggregate	\$	14,000,000
Fire Legal Liability	\$	500,000
Medical Payments Occurrence/Aggregate	\$	5,000/25,000

Educators' Legal Liability:		
Wrongful Acts (\$1,000 deductible)	\$	12,000,000

Automobile Liability:		
Bodily Injury & Property Damage	\$	12,000,000
Medical Payments (Occurrence/Aggregate)	\$	5,000/25,000
Uninsured/Underinsured Motorist	\$	1,000,000

Automobile Physical Damage	Actual Cash Value Except Replacement Cost on all buses 15 years and newer
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Garage Keepers Physical Damage:	Actual Cash Value (\$100,000 Maximum)
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Property:		
Building & Business Personal Property Limit Including Property Extensions	\$	15,277,324
Earth Movement Limit (\$50,000 deductible)	\$	2,000,000
Flood Limit (\$50,000 deductible)	\$	2,000,000

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

NOTE 11 – RISK MANAGEMENT (CONTINUED)

Equipment Breakdown:	\$	50,000,000
CFC Refrigerants	\$	250,000
Hazardous Substance Contamination	\$	250,000
Spoilage	\$	250,000
Expediting Expenses	\$	250,000
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.

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.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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 of 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, 2010, 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, 2010, 2009, and 2008 was \$332,945, \$339,324, and \$345,270, respectively; 84 percent has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

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.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding Policy – For the fiscal year ended June 30, 2010, 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 2010, 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, 2010, 2009, and 2008 was \$103,833, \$97,308, and \$70,286, respectively; 44 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

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.

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 2010, 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, 2010, 2009, and 2008 was \$23,890, \$22,874, and \$22,853, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 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.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 13 – POSTEMPLOYMENT BENEFITS (CONTINUED)

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 2010, 46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS covered payroll for the health care surcharge. For fiscal year 2010, the surcharge amount was \$6,983.

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, 2010, 2009, and 2008 was \$10,395, \$39,099, and \$41,700, respectively; 44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 2010, this actuarially required allocation was .76 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$5,637, \$5,213, and \$5,064, respectively; which equaled the required contributions for each year.

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, 2010

NOTE 15 – LONG-TERM OBLIATIONS

Changes in the District’s long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/09	Amount Due Within One Year
Governmental Activities					
Special Waterline Assessment	\$ 6,041	\$ -	\$ 1,342	\$ 4,699	\$ 1,342
General Obligation Bonds					
School Facilities Improvement Bonds:					
Serial Bonds 2.5 – 3.7%	1,020,000	-	20,000	1,000,000	105,000
Term Bonds 4.3 – 5.0%	3,785,000	-	-	3,785,000	-
Capital Appreciation Bonds	25,000	30,076	-	55,076	-
Total General Obligation Bonds	4,830,000	30,076	20,000	4,840,076	105,000
Compensated Absences Payable	406,680	406,495	406,680	406,495	-
Total Governmental Activities Long-Term Obligations	<u>\$ 5,242,721</u>	<u>\$ 436,571</u>	<u>\$ 428,220</u>	<u>\$ 5,251,270</u>	<u>\$ 106,342</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, with current interest rate of 5.40 percent.

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
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%

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 15 – LONG-TERM OBLIATIONS (CONTINUED)

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:

<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.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 15 – LONG-TERM OBLIATIONS (CONTINUED)

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:

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

The value of the capital appreciation bonds reported at June 30, 2010 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 \$30,076 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, 2010 was \$213,184.

The schedule payments of principal and interest on debt outstanding at June 30, 2010 are as follows:

Special Waterline Assessment Loan

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,342	\$ 265	\$ 1,607
2012	1,342	190	1,532
2013	1,342	114	1,456
2014	673	38	711
2015	-	-	-
Total	\$ 4,699	\$ 607	\$ 5,306

General Obligation Bonds

	Capital				
	Serial	Term	Appreciation	Interest	Total
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	125,000	-	-	198,559	323,559
2016-2020	425,000	-	25,000	1,109,899	1,659,899
2021-2025	-	825,000	-	925,290	1,650,290
2026-2030	-	1,025,000	-	613,546	1,638,546
2031-2035	-	1,310,000	-	326,750	1,636,750
2036-2040	-	625,000	-	31,625	656,625
Total	\$ 1,000,000	\$ 3,785,000	\$ 25,000	\$ 4,034,254	\$ 8,844,254

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 2010, the District had expenditures of \$600 for the operating lease. The following schedule is of future minimum lease payments as of June 30, 2010.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 600
2012	600
2013	600
2014	600
2015	<u>50</u>
Total minimum lease payment	<u>\$ 2,450</u>

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 2010.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2009	\$ (88,959)	\$ -
Current Year Set-Aside Requirement	90,155	90,155
Qualifying Disbursements	<u>(91,800)</u>	<u>(1,387,065)</u>
Total	<u>\$ (90,604)</u>	<u>\$ (1,296,910)</u>
 Cash Balance Carried Forward to FY 2011	 <u>\$ (90,604)</u>	 <u>\$ -</u>

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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010**

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 2010, the District paid \$82,011 to NWOCA for various services. Financial information can be obtained from the North West Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

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. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$330,445. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, Treasurer, at 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 19 – GROUP PURCHASING POOLS (CONTINUED)

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, this year a fee of \$8,467 was paid.

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.

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, 2010.

B. Litigation

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 22 – CONTRACTURAL COMMITMENTS

As of June 30, 2010, the District had the following contractual purchase commitments:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
Miller Brother's Construction	\$ 348,947
The Daily Company	9,904,600
Fitzenrider, Inc.	2,031,700
Woolace Electric	1,924,900
Accell Fire Systems	165,880
Soils and Materials	69,935
Buehrer Group	241,316
Stan and Associates	42,123
Total	<u>\$ 14,729,401</u>

STEYER & CO.

Certified Public Accountants

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FAX (419) 782-5298

**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, 2010, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be material weakness 2010-1.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies, 2010-2.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 responses. We did not audit the District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Steyer & Co." in a cursive script.

STEYER & CO.
Certified Public Accountants

Defiance, Ohio
February 1, 2011

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

June 30, 2010

**2010-1 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.

**2010-2 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 PRIOR AUDIT FINDINGS
 June 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Action Taken
2009-1	Significant Deficiency Lack of segregation of duties.	No	Not Corrected. Reissued as finding 2010-1.
2009-2	Significant Deficiency Lack of segregation of duties	No	Not Corrected. Reissued as finding 2010-2.
2009-3	Significant Deficiency Ohio Revised Code §5705.10 Recording in proper fund.	Yes	



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**