

**PETTISVILLE LOCAL SCHOOL  
DISTRICT**

**FULTON COUNTY**

**FINANCIAL STATEMENTS**

*Year Ended June 30, 2006*





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Pettisville Local School District, Fulton County, prepared by Steyer & Co., for the audit period July 1, 2005 through June 30, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 5, 2007

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# STEYER & CO.

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

Pettisville Local School District  
Fulton County  
Box 53001  
Pettisville, Ohio 43553

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pettisville Local School District, Fulton County, Ohio, (the District), as of and for the year ended June 30, 2006, 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, 2006, 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 7, 2007, 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, 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 the 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.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Steyer & Co." with a stylized flourish at the end of the word "Co."

STEYER & CO.  
Certified Public Accountants

Defiance, Ohio  
February 7, 2007

**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

The discussion and analysis of the Pettisville Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. 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**

#### **Highlights for fiscal year 2006 are as follows:**

- In total, net assets increased \$184,060.
- General revenues accounted for \$3,753,774, or 73 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants, and contributions, and capital grants and contributions accounted for \$1,402,308, or 27 percent of total revenues of \$5,156,082.
- The District's major fund is the General Fund.
- The General Fund had \$4,361,763 in revenues and other financing sources and \$4,215,626 in expenditures and other financing uses. There were no significant changes in the General Fund revenues or expenditures between 2005 and 2006. The General Fund's balance increased \$146,137 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 Pettisville Local School 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 is by far the most significant fund. The General Fund is the only major fund.

### **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 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School 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



**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

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, the District discloses a single type of activity:

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 governmental fund is the General Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

#### 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 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 government 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, 2006  
UNAUDITED**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

<b>Table 1</b>		
<b>Net Assets</b>		
<u>Governmental Activities</u>		
<u>Assets:</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 2,529,338	\$ 2,440,973
Capital Assets, Net	2,803,004	2,796,488
Total Assets	<u>5,332,342</u>	<u>5,237,461</u>
<u>Liabilities:</u>		
Current and Other Liabilities	1,766,380	1,840,161
Long-Term Liabilities	363,179	378,577
Total Liabilities	<u>2,129,559</u>	<u>2,218,738</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	2,792,937	2,787,152
Restricted	430,811	456,466
Unrestricted	(20,965)	(224,895)
Total Net Assets	<u>\$ 3,202,783</u>	<u>\$ 3,018,723</u>

There were no significant changes in net assets or liabilities between 2005 and 2006.

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

<b>Table 2</b>		
<b>Change in Net Assets</b>		
<u>Governmental Activities</u>		
<u>Revenues:</u>	<u>2006</u>	<u>2005</u>
<u>Program Revenues:</u>		
Charges for Services and Sales	\$ 1,104,051	\$ 1,051,798
Operating Grants, and Contributions	291,601	225,180
Capital Grants and Contributions	6,656	-
Total Program Revenues	<u>1,402,308</u>	<u>1,276,978</u>
<u>General Revenues:</u>		
Property Taxes	1,325,856	1,227,699
Income Taxes	389,153	408,114
Grants and Entitlements	1,951,779	1,847,772
Interest	48,220	23,285
Gifts and Donations	20,472	37,808
Miscellaneous	18,294	18,783
Total General Revenues	<u>3,753,774</u>	<u>3,563,461</u>
Total Revenues	<u>5,156,082</u>	<u>4,840,439</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

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

<u>Expenses:</u>	<u>2006</u>	<u>2005</u>
Instruction	2,778,333	2,660,610
Support Services:		
Pupils	96,186	110,680
Instructional Staff	128,606	116,288
Board of Education	8,520	10,283
Administration	451,423	405,847
Fiscal	177,256	158,794
Business	874	1,194
Operation and Maintenance of Plant	457,550	443,020
Pupil Transportation	213,006	234,009
Central	48,710	70,750
Non-Instructional Services	233,394	229,704
Extracurricular Activities	347,616	367,415
Capital Outlay	30,548	42,813
Total Expenses	<u>4,972,022</u>	<u>4,851,407</u>
Increase (Decrease) in Net Assets	<u>\$ 184,060</u>	<u>\$ (10,968)</u>

Governmental Activities

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

**Table 3  
Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$ 2,778,333	\$ 1,750,544	\$ 2,660,610	\$ 1,757,566
Support Services:				
Pupils	96,186	93,386	110,680	110,129
Instructional Staff	128,606	125,881	116,288	113,363
Board of Education	8,520	8,520	10,283	10,283
Administration	451,423	446,423	405,847	400,847
Fiscal	177,256	177,256	158,794	158,794
Business	874	874	1,194	1,194
Operation & Maintenance of Plant	457,550	457,550	443,020	443,020
Pupil Transportation	213,006	213,006	234,009	234,009
Central	48,710	42,710	70,750	64,750
Non-Instructional Services	233,394	19,202	229,704	(865)
Extracurricular Activities	347,616	203,814	367,415	241,827
Capital Outlay	30,548	30,548	42,813	42,813
Total Expenses	<u>\$ 4,972,022</u>	<u>\$ 3,569,714</u>	<u>\$ 4,851,407</u>	<u>\$ 3,577,730</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 63 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 72 percent. The remaining 28 percent are derived from tuition and fees, specific grants, and donations.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental fund is the General Fund. Total governmental funds had revenues of \$5,135,065 and expenditures \$4,994,436. The net positive change of \$140,629 in fund balance for the year indicates that the District's current year revenues were adequate to meet the current year expenditures.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based upon 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 2006, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$4,328,998 while actual expenditures were \$4,272,579. The \$56,419 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2006, the District had \$2,803,004 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2006, the District had \$10,067 in a special waterline assessment note. The note will mature in fiscal year 2014. The note is being retired through the General Fund.

At June 30, 2006, the District's overall legal debt margin was \$3,858,172, with an un-voted debt margin of \$42,869.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

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

57 percent of District revenue sources are from local funds, 38 percent from state funds and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$8,390.

In May 2003, the District passed a five-year 1 percent income tax to generate \$340,000 annually. 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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

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.

**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, 2006*

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,018,095
Materials and Supplies Inventory	8,032
Accrued Interest Receivable	1,301
Accounts Receivable	99
Intergovernmental Receivable	50,566
Taxes Receivable	1,280,558
Income Taxes Receivable	169,742
Prepaid Items	945
Non-Depreciable Capital Assets	275,900
Depreciable Capital Assets, net	<u>2,527,104</u>
 Total Assets	 5,332,342
<b>LIABILITIES</b>	
Accounts Payable	19,797
Accrued Wages and Benefits	466,404
Intergovernmental Payable	115,176
Matured Compensated Absences Payable	15,276
Deferred Revenue	1,149,727
Long-Term Liabilities:	
Due Within One Year	1,342
Due in More Than One Year	<u>361,837</u>
Total Liabilities	<u>2,129,559</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	2,792,937
Restricted for Capital Outlay	123,807
Restricted for Other Purposes	307,004
Unrestricted	<u>(20,965)</u>
Total Net Assets	<u><u>\$ 3,202,783</u></u>

*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, 2006*

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>GOVERNMENTAL ACTIVITIES:</b>					
Instruction:					
Regular	\$ 2,204,427	\$ 787,917	\$ 86,841	\$ 6,656	\$ (1,323,013)
Special	353,580	-	145,975	-	(207,605)
Vocational	196,883	-	400	-	(196,483)
Other	23,443	-	-	-	(23,443)
Support Services:					-
Pupils	96,186	-	2,800	-	(93,386)
Instructional Staff	128,606	-	2,725	-	(125,881)
Board of Education	8,520	-	-	-	(8,520)
Administration	451,423	-	5,000	-	(446,423)
Fiscal	177,256	-	-	-	(177,256)
Business	874	-	-	-	(874)
Operation and Maintenance of Plant	457,550	-	-	-	(457,550)
Pupil Transportation	213,006	-	-	-	(213,006)
Central	48,710	-	6,000	-	(42,710)
Operation of Non-Instructional Services	233,394	172,332	41,860	-	(19,202)
Extracurricular Activities	347,616	143,802	-	-	(203,814)
Capital Outlay	30,548	-	-	-	(30,548)
Totals	<u>\$ 4,972,022</u>	<u>\$ 1,104,051</u>	<u>\$ 291,601</u>	<u>\$ 6,656</u>	<u>(3,569,714)</u>

**General Revenues**

Taxes:	
Property Taxes, Levied for General Purposes	1,201,553
Property Taxes, Levied for Capital Outlay	124,303
Income Taxes	389,153
Grants and Entitlements not Restricted to Specific Programs	1,951,779
Gifts and Donations	20,472
Investment Earnings	48,220
Miscellaneous	18,294
<i>Total General Revenues</i>	<u>3,753,774</u>
<i>Change in Net Assets</i>	184,060
<i>Net Assets Beginning of Year</i>	3,018,723
<i>Net Assets End of Year</i>	<u>\$ 3,202,783</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
*June 30, 2006*

	<b>General Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 609,475	\$ 408,620	\$ 1,018,095
Materials and Supplies Inventory	-	8,032	8,032
Accrued Interest Receivable	1,301	-	1,301
Accounts Receivable	84	15	99
Interfund Receivable	5,835	-	5,835
Intergovernmental Receivable	-	50,566	50,566
Taxes Receivable	1,163,208	117,350	1,280,558
Income Taxes Receivable	169,742	-	169,742
Prepaid Items	945	-	945
Total Assets	\$ 1,950,590	\$ 584,583	\$ 2,535,173
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 18,857	\$ 940	\$ 19,797
Accrued Wages and Benefits	449,092	17,312	466,404
Interfund Payable	-	5,835	5,835
Intergovernmental Payable	69,005	2,400	71,405
Matured Compensated Absences Payable	15,276	-	15,276
Deferred Revenue	1,109,486	137,310	1,246,796
Total Liabilities	1,661,716	163,797	1,825,513
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances	23,017	11,658	34,675
Inventory	-	8,032	8,032
Prepaid Items	945	-	945
Property Taxes	30,983	3,566	34,549
Unreserved, Undesignated, Reported in:			
General Fund	233,929	-	233,929
Special Revenue Funds	-	280,128	280,128
Capital Projects Funds	-	117,402	117,402
Total Fund Balances	288,874	420,786	709,660
Total Liabilities and Fund Balances	\$ 1,950,590	\$ 584,583	\$ 2,535,173

*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, 2006**

<b>Total Governmental Fund Balances</b>		\$ 709,660
 <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, not reported in the funds.		2,803,004
Taxes receivable that do not provide financial resources are not reported as revenues in governmental fund.		97,069
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(43,771)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General obligation bonds payable	(10,067)	
Compensated absences payable	(353,112)	
	(363,179)	
 <i>Net Assets of Governmental Activities</i>		\$ 3,202,783

*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, 2006**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property and Other Local Taxes	\$ 1,186,030	\$ 123,708	\$ 1,309,738
Income Tax	383,836	-	383,836
Intergovernmental	1,944,819	305,621	2,250,440
Interest	38,468	9,752	48,220
Tuition and Fees	787,034	101	787,135
Rent	782	-	782
Extracurricular Activities	-	143,802	143,802
Gifts and Donations	2,500	17,972	20,472
Customer Sales and Services	-	172,346	172,346
Miscellaneous	18,294	-	18,294
Total Revenues	<u>4,361,763</u>	<u>773,302</u>	<u>5,135,065</u>
<b>EXPENDITURES</b>			
Current:			
Instruction:			
Regular	2,024,940	120,213	2,145,153
Special	247,553	103,087	350,640
Vocational	195,179	-	195,179
Other	23,443	-	23,443
Support Services:			
Pupils	105,186	4,778	109,964
Instructional Staff	121,644	7,062	128,706
Board of Education	8,520	-	8,520
Administration	424,001	22,471	446,472
Fiscal	197,302	2,246	199,548
Business	874	-	874
Operation and Maintenance of Plant	428,026	31,474	459,500
Pupil Transportation	199,747	55,986	255,733
Central	45,445	3,265	48,710
Operation of Non-Instructional Services	-	228,673	228,673
Extracurricular Activities	193,458	149,399	342,857
Capital Outlay	308	50,156	50,464
Total Expenditures	<u>4,215,626</u>	<u>778,810</u>	<u>4,994,436</u>
Excess of Revenues Over (Under) Expenditures	<u>146,137</u>	<u>(5,508)</u>	<u>140,629</u>
Net Change in Fund Balances	146,137	(5,508)	140,629
Fund Balance at Beginning of Year	142,737	426,294	569,031
Fund Balance at End of Year	<u>\$ 288,874</u>	<u>\$ 420,786</u>	<u>\$ 709,660</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, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 140,629</b>
 <i>Amounts reported for governmental activities on the statement of activities are different because of the following:</i>	
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 exceeds depreciation in the current year.	6,516
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:	21,017
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.	(731)
Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:	<u>16,629</u>
<b><i>Change in Net Assets of Governmental Activities</i></b>	<b><u><u>\$ 184,060</u></u></b>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)  
AND ACTUAL COMPARISON  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Property and Other Local Taxes	\$ 1,121,440	\$ 1,134,638	\$ 1,134,638	\$ -
Income Tax	278,032	427,684	427,684	-
Intergovernmental	1,857,479	1,950,402	1,944,819	(5,583)
Interest	19,750	40,750	38,205	(2,545)
Tuition and Fees	751,175	793,064	786,950	(6,114)
Rent	250	1,050	782	(268)
Gifts and Donations	7,370	7,370	2,500	(4,870)
Miscellaneous	680	680	458	(222)
Total Revenues	<u>4,036,176</u>	<u>4,355,638</u>	<u>4,336,036</u>	<u>(19,602)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	2,071,117	2,049,615	2,048,859	756
Special	254,528	251,156	250,334	822
Vocational	189,888	195,638	195,015	623
Other	-	25,000	23,443	1,557
Support Services:				
Pupils	106,431	105,486	104,696	790
Instructional Staff	116,782	127,290	125,640	1,650
Board of Education	10,442	10,532	9,465	1,067
Administration	403,144	429,347	427,703	1,644
Fiscal	148,822	197,159	196,507	652
Business	1,176	1,376	1,187	189
Operation and Maintenance of Plant	439,821	432,058	431,618	440
Pupil Transportation	238,537	230,828	207,800	23,028
Central	63,613	52,230	49,425	2,805
Extracurricular Activities	207,118	214,750	194,744	20,006
Capital Outlay	198	698	308	390
Total Expenditures	<u>4,251,617</u>	<u>4,323,163</u>	<u>4,266,744</u>	<u>56,419</u>
Excess of Revenues Over (Under) Expenditures	(215,441)	32,475	69,292	36,817
Other Financing Sources and Uses:				
Proceeds from Sale of Fixed Assets	100	100	90	(10)
Refund of Prior Year Expenditures	17,890	17,890	17,876	(14)
Transfers Out	(14,500)	-	-	-
Advances Out	-	(5,835)	(5,835)	-
Total Other Financing Sources and Uses	<u>3,490</u>	<u>12,155</u>	<u>12,131</u>	<u>(24)</u>
Net Change in Fund Balances	(211,951)	44,630	81,423	36,793
Fund Balance at Beginning of Year	469,728	469,728	469,728	-
Prior Year Encumbrances Appropriated	16,521	16,521	16,521	-
Fund Balance at End of Year	<u>\$ 274,298</u>	<u>\$ 530,879</u>	<u>\$ 567,672</u>	<u>\$ 36,793</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
 FULTON COUNTY  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2006**

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 656	\$ 56,733
Total Assets	656	56,733
 <b>LIABILITIES</b>		
Undistributed Monies	-	56,733
Total Liabilities	-	56,733
 <b>NET ASSETS</b>		
Held in Trust for Scholarships	656	-
Total Net Assets	\$ 656	\$ -

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
 FULTON COUNTY  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 For the Fiscal Year Ended June 30, 2006**

	<b>Private Purpose Trust</b>
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, 2006*

**NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Pettisville Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution 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 21 non-certified and 43 certified full-time teaching personnel who provide services to 416 students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. 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 Benefits 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 16, 17, and 18 to the basic financial statements.

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

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 reporting principles. Following are the more significant of the District’s accounting policies.

**A. Basis of Presentation**

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

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2006*

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the 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 and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency and private purpose trust funds.



**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2006*

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the 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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 statements for governmental funds.

**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 bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
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Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**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 primary level of budgetary control is at the function level within 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 within the General Fund and the function and object level in all other funds are made by the 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 appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**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. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2006*

During 2006, investments were limited to nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$38,468 and \$9,752 to other District funds.

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

**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. 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 fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$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 and Building Improvements	30 – 50 years
Furniture and Fixtures	5 – 20 years
Vehicles	5 – 15 years
Equipment	10 years

**I. 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
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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.

**J. 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, claims and judgments, compensated absences, special termination benefits 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.

**K. 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.

**L. 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, prepaid items and property taxes.

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

**M. 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.

**N. Pass-Through Grants**

**PETTISVILLE LOCAL SCHOOL DISTRICT  
 FULTON COUNTY  
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 JUNE 30, 2006**

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

**O. 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 2006.

**NOTE 3 – 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 presented 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 fund financial statements are the following:

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 following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

	<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis		\$ 146,137
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 2005, Received in Cash FY 2006	234,976	
Accrued FY 2006, Not Yet Received in Cash	(249,505)	
Expenditure Accruals:		
Accrued FY 2005, Paid in Cash FY 2006	(578,485)	
Accrued FY 2006, Not Yet Paid in Cash	570,106	
Encumbrances Outstanding at Year End (Budget Basis)	(41,806)	
Budget Basis	<u>\$ 81,423</u>	

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*JUNE 30, 2006*

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT**  
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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.

#### **A. Cash on Hand**

At year-end, the District had \$2,600 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

#### **B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$1,075,484. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$1,028,233 of the District's bank balance of \$1,128,890 was exposed to custodial risk as discussed below, while \$100,657 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk 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 protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

All deposits are collateralized with eligible securities in amounts equal to at least 105% 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.

#### **C. Investments**

As of June 30, 2006, the District did not have any investments.

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

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*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% of the interim monies available for investment at any one time.

**D. 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, 2006:

<u>Cash per footnote</u>	
Carrying amount of deposits	\$ 1,075,484
Total	<u>\$ 1,075,484</u>
 <u>Cash per Statement of Net Assets</u>	
Governmental activities	\$ 1,018,095
Private Purpose Trust funds	656
Agency funds	56,733
Total	<u>\$ 1,075,484</u>

**NOTE 5 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, 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 real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2004. 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.



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The District receives property taxes from Fulton County. 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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006, was \$30,983 in the General Fund and \$3,566 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2005, was \$33,340 in the General Fund and \$3,880 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 32,559,100	76%	\$ 33,812,620	79%
Industrial/Commercial	3,764,400	9%	3,796,320	9%
Public Utility Personal Property	3,469,640	8%	3,176,730	7%
Tangible Personal	2,771,715	7%	2,082,903	5%
Total Assessed Value	<u>\$ 42,564,855</u>	<u>100%</u>	<u>\$ 42,868,573</u>	<u>100%</u>
Tax Rate Per \$1,000 of Assessed Valuation	<u>\$ 50.80</u>		<u>\$ 50.80</u>	

**NOTE 6 – 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 for a five year-period. 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 7 – RECEIVABLES**

Receivables at June 30, 2006, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. 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.

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A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Food Service	\$ 5,008
Fifth Quarter Grant	3,600
Title I	10,287
Title V	290
Drug Free Grant	822
Improving Teacher Quality	28
Miscellaneous Federal	30,531
Total Intergovernmental Receivables	<u>\$ 50,566</u>

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
<u>Governmental Activities</u>				
Nondepreciable Capital Assets:				
Land	\$ 275,900	\$ -	\$ -	\$ 275,900
Total Nondepreciable Capital Assets	<u>275,900</u>	<u>-</u>	<u>-</u>	<u>275,900</u>
Depreciable Capital Assets:				
Land Improvements	231,392	12,957	-	244,349
Buildings & Building Improvements	3,545,652	6,959	-	3,552,611
Furniture, Fixtures, & Equipment	410,694	27,661	18,297	420,058
Vehicles	657,458	63,205	52,217	668,446
Books	371,819	7,707	-	379,526
Total Depreciable Capital Assets	<u>5,217,015</u>	<u>118,489</u>	<u>70,514</u>	<u>5,264,990</u>
Less Accumulated Depreciation:				
Land Improvements	131,303	9,467	-	140,770
Buildings & Building Improvements	1,381,797	64,367	-	1,446,164
Furniture, Fixtures, & Equipment	279,642	18,887	18,297	280,232
Vehicles	550,414	19,252	52,217	517,449
Books	353,271	-	-	353,271
Total Accumulated Depreciation	<u>2,696,427</u>	<u>111,973</u>	<u>70,514</u>	<u>2,737,886</u>
Depreciable Capital Assets, Net	<u>2,520,588</u>	<u>6,516</u>	<u>-</u>	<u>2,527,104</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,796,488</u>	<u>\$ 6,516</u>	<u>\$ -</u>	<u>\$ 2,803,004</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 76,011
Vocational	201
Support Services:	
Instructional Staff	6,519
Administration	654
Operation and Maintenance of Plant	1,500
Pupil Transportation	20,571
Operation of Non-Instructional Services	1,890
Extracurricular Activities	4,627
Total Depreciation Expense	<u>\$ 111,973</u>

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**NOTE 9 – 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	
Per occurrence	\$ 6,000,000
Total per year	\$ 8,000,000
Excess coverage	\$ 10,000,000
Blanket Property Insurance (\$1,000 Deductible)	\$ 14,967,038
Automobile Liability	
Per occurrence	\$ 6,000,000
Physical damage	\$ 1,000,000

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 last 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 school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

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**NOTE 10 – DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current 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 2006, 10.57 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, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$86,053, \$69,782, and \$66,023, respectively; 55 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. The unpaid contribution for fiscal year 2006 is \$51,408.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides basic retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the combined plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan.

The DB Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit" the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31

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years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

The Combined Plan benefits member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or lump-sum payment in addition to the original retirement allowance. Benefits are increased annually by 3 percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefits coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2006 were 10 percent of covered payroll for members and 14 percent for employers. Employer contributions actually paid should be disclosed in both dollar amounts and as a percentage of the employer's covered payroll for the current year and the two preceding years. Member and employer contributions actually made for Defined Contributions and Combined Plan participants will be provided upon written request.

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The District's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$326,575, \$300,775, and \$277,860, respectively; 85 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. The unpaid contribution for fiscal year 2006 is \$51,448.

**NOTE 11 – POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2006, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2006.

For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$300,690,000. There were 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation is 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits was 59,492.

The amount to fund postemployment benefits, including the surcharge, equaled \$33,691.

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**NOTE 12 – 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.

**NOTE 13 – LONG-TERM OBLIGATIONS**

During the year ended June 30, 2006, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Balance at 6/30/05	Increase	Decrease	Balance at 6/30/05	Amount Due in 1 Year
Special Waterline Assessment	\$ 9,336	\$ 2,073	\$ 1,342	\$ 10,067	\$ 1,342
Compensated Absences	369,241	353,112	369,241	353,112	-
<b>Total Long-Term Obligations</b>	<u>\$ 378,577</u>	<u>\$ 355,185</u>	<u>\$ 370,583</u>	<u>\$ 363,179</u>	<u>\$ 1,342</u>

The Special Waterline Assessment Loan at June 30, 2006, totaling \$10,067, has a current interest rate of 5.40% and will mature in 2014.

Total expenditures for interest for the period ended June 30, 2006 was \$488.

The scheduled payments of principal and interest on debt outstanding at June 30, 2006 are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,342	\$ 544	\$ 1,886
2008	1,342	471	1,813
2009	1,342	399	1,741
2010	1,342	333	1,675
2011	1,342	265	1,607
2012-2014	3,357	341	3,698
<b>Total</b>	<u>\$ 10,067</u>	<u>\$ 2,353</u>	<u>\$ 12,420</u>

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**NOTE 14 – 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 2003, the District entered into a lease agreement for a postage meter. During fiscal year 2006, the District had expenditures of \$660 for the operating lease. The following schedule is of future minimum lease payments as of June 30, 2006.

Fiscal Year Ending June 30:	Amount
2007	\$ 660
2008	660
2009	165
Total Minimum Lease Payment	\$ 1,485

**NOTE 15 – 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Textbooks	Capital Acquisition
Set-Aside Cash Balance as of June 30, 2005	\$ (62,835)	\$ -
Current Year Set-Aside Requirement	80,702	80,702
Qualifying Disbursements	(83,707)	(213,197)
Total	\$ (65,840)	\$ (132,495)
Cash Balance Carried Forward to FY 2007	\$ (65,840)	\$ -

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

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

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts 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 school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$57,747. Financial information can be obtained from Duane Baker, Director of Planning and Research, at 22-900 State Route 34, Archbold, Ohio 43502.



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**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams 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 four 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. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**NOTE 17 - GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$337,836. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. NBEC 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 (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$545 to the WCGRP to cover the costs of administering the program.

**C. Schools of Ohio Risk Sharing Authority**

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by §2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint-self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons that might result in claims being made against members of SORSA, their employees or officers. A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pools. The Board of Directors consists of Superintendents, Treasurers, or Business Managers from the participating school districts. Willis Pooling

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administers the pool and Frank Gates Service Company manages the claims. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

**NOTE 18 – 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 111, Pettisville, Ohio 43553.

**NOTE 19 – SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NOTE 20 – 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, 2006.

**B. Litigation**

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

**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, Fulton County, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2007. 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.


Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, in a separate letter to the District's management dated February 7, 2007, we noted other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance of other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2006-1. We also noted certain additional matters that we reported to management of the District in a separate letter dated February 7, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Education, 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." The word "Steyer" is written in a cursive style, followed by an ampersand and the word "Co." in a similar cursive style.

STEYER & CO.

Defiance, Ohio  
February 7, 2007

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
SCHEDULE OF FINDINGS  
June 30, 2006**

**FINDING NUMBER 2006-1**

**Noncompliance Citation**

Ohio Revised Code §5705.39 provides that appropriations from each fund shall not exceed estimated revenue available for expenditures.

Appropriations exceeded estimated revenues in the following funds at June 30, 2006:

Fund	Estimated Resources	Appropriations	Variance
Management Information Systems	\$ 5,014	\$ 19,265	\$ (14,251)
Student Intervention	\$ 1,628	\$ 1,987	\$ (359)
Title V	\$ 1,513	\$ 1,548	\$ (35)
Improving Teacher Quality	\$ 32,688	\$ 35,805	\$ (3,117)

We recommend the District review estimated resources prior to approving or amending appropriations. If estimated resources are not sufficient to support planned appropriations, the District should modify appropriations or request an amended certificate, if new revenue sources are identified.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
CORRECTIVE ACTION PLAN**  
*June 30, 2006*

<u>Finding Number</u>	<u>Planned Corrective Action</u>	<u>Anticipate Completion Date</u>	<u>Responsible Contact Person</u>
2006-1	The Treasurer will better monitor this situation and take appropriate corrective action.	June 30, 2007	Christopher Lee



Mary Taylor, CPA  
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  
APRIL 17, 2007