



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Pettisville Local School District
Fulton County
232 Summit Street
P.O. Box 53001
Pettisville, Ohio 43553-0001

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Pettisville Local School District (the District) as of and for the year ended June 30, 2001 as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust 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 January 10, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

January 10, 2003

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**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$482,049	\$78,612	\$124,645
Receivables:			
Taxes	1,136,339		119,268
Accounts	75,758	208	
Intergovernmental	1,813	2,810	
Accrued Interest	19,713		
Materials and Supplies Inventory			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	38,626		
Fixed Assets			
Accumulated Depreciation			
Other Debits:			
Provided from General Government Resources			
Total Assets and Other Debits	\$1,754,298	\$81,630	\$243,913

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$57,007	\$246,457			\$988,770
				1,255,607
	626			76,592
				4,623
				19,713
2,684				2,684
				38,626
53,050 (34,708)		\$6,020,695		6,073,745 (34,708)
			\$282,661	282,661
<u>\$78,033</u>	<u>\$247,083</u>	<u>\$6,020,695</u>	<u>\$282,661</u>	<u>\$8,708,313</u>

(Continued)

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2001
(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$42,584	\$5,552	\$354
Accrued Wages and Benefits	341,776	7,838	
Compensated Absences Payable	8,072		
Intergovernmental Payable	49,607	545	
Deferred Revenue	978,949		105,644
Due to Students			
Special Assessments Loan Payable			
	1,420,988	13,935	105,998
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved for Encumbrances	59,772	39	10,400
Reserved for Contributions			
Reserved for Property Taxes	72,566		7,347
Reserved for Budget Stabilization	38,626		
Unreserved, Undesignated	162,346	67,656	120,168
	333,310	67,695	137,915
Total Liabilities, Fund Equity and Other Credits	\$1,754,298	\$81,630	\$243,913

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$250				\$48,740
7,257				356,871
4,718			\$240,520	253,310
7,464			27,829	85,445
834				1,085,427
	\$68,546			68,546
			14,312	14,312
<u>20,523</u>	<u>68,546</u>		<u>282,661</u>	<u>1,912,651</u>
		\$6,020,695		6,020,695
57,510				57,510
				70,211
	500			500
				79,913
				38,626
	178,037			528,207
<u>57,510</u>	<u>178,537</u>	<u>6,020,695</u>		<u>6,795,662</u>
<u>\$78,033</u>	<u>\$247,083</u>	<u>\$6,020,695</u>	<u>\$282,661</u>	<u>\$8,708,313</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues:			
Intergovernmental	\$1,535,133	\$108,374	\$44,888
Interest	46,193		
Tuition and Fees	522,162		
Rent	632		
Extracurricular Activities		97,566	
Gifts and Donations	3,885	17,845	
Customer Services	45,901		
Property and Other Local Taxes	1,216,020		94,613
Miscellaneous	4,716		
Total Revenues	3,374,642	223,785	139,501
Expenditures:			
Instruction:			
Regular	1,529,218	70,983	24,358
Special	168,045	56,619	
Vocational	156,572		
Support services:			
Pupils	123,586	4,814	5,200
Instructional Staff	92,974	10,879	
Board of Education	7,846		
Administration	299,968	14,255	
Fiscal	126,868		1,636
Business	657		
Operation and Maintenance of Plant	333,716	1,261	6,875
Pupil Transportation	212,283	859	
Central	69,341	6,000	5,000
Extracurricular activities	125,344	124,790	
Capital Outlay	1,735		20,020
Debt Service			
Debt Service - Principal			3,928
Debt Service - Interest			62
Total Expenditures	3,248,153	290,460	67,079
Excess of Revenues Over (Under) Expenditures	126,489	(66,675)	72,422
Other Financing Sources and Uses			
Operating Transfers In		12,500	
Proceeds from Sale of Fixed Assets	168		
Refund of Prior Year Expenditures	9,123	1,225	
Other Financing Sources	5,421	29,231	
Operating Transfers Out	(12,500)		
Total Other Financing Sources	2,212	42,956	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	128,701	(23,719)	72,422
Fund Balance at Beginning of Year	204,609	91,414	65,493
Fund Balance at End of Year	\$333,310	\$67,695	\$137,915

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

<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
	\$1,688,395
\$8,324	54,517
	522,162
	632
	97,566
	21,730
	45,901
	1,310,633
	4,716
<u>8,324</u>	<u>3,746,252</u>
	1,624,559
	224,664
	156,572
	133,600
	103,853
	7,846
	314,223
	128,504
	657
	341,852
	213,142
	80,341
	250,134
	21,755
	3,928
	62
	<u>3,605,692</u>
<u>8,324</u>	<u>140,560</u>
	12,500
	168
	10,348
	34,652
	(12,500)
	<u>45,168</u>
8,324	185,728
168,879	530,395
<u>\$177,203</u>	<u>\$716,123</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$1,577,557	\$1,577,824	\$267
Interest	24,500	26,480	1,980
Tuition and Fees	446,500	446,404	(96)
Rent	350	632	282
Extracurricular Activities			
Gifts and Donations	3,900	3,885	(15)
Customer Services	45,890	45,901	11
Property and Other Local Taxes	1,142,454	1,142,472	18
Miscellaneous	4,700	4,716	16
Total Revenues	3,245,851	3,248,314	2,463
Expenditures:			
Current:			
Instruction:			
Regular	1,548,721	1,500,658	48,063
Special	205,895	166,048	39,847
Vocational	162,086	155,821	6,265
Support services:			
Pupils	138,099	132,147	5,952
Instructional Staff	99,096	93,898	5,198
Board of Education	9,300	7,846	1,454
Administration	302,920	298,091	4,829
Fiscal	141,980	127,785	14,195
Business	1,550	657	893
Operation and Maintenance of Plant	357,689	332,041	25,648
Pupil Transportation	274,760	266,504	8,256
Central	83,078	69,514	13,564
Extracurricular activities	133,350	125,186	8,164
Capital Outlay	10,600	1,735	8,865
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	3,469,124	3,277,931	191,193
Excess of Revenues Over (Under) Expenditures	(223,273)	(29,617)	193,656
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	150	168	18
Refund of Prior Year Expenditures	8,630	9,123	493
Advances In			
Other Financing Sources	5,400	5,421	21
Operating Transfers Out	(16,950)	(12,500)	4,450
Total Other Financing Sources (Uses)	(2,770)	2,212	4,982
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(226,043)	(27,405)	198,638
Fund Balances at Beginning of Year	402,441	402,441	
Prior Year Encumbrances Appropriated	43,433	43,433	
Fund Balance at end of Year	\$219,831	\$418,469	\$198,638

Special Revenue			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$111,260	\$105,564	(\$5,696)	\$44,888	\$44,888	
96,515	97,358	843			
17,535	17,845	310			
			84,522	84,554	\$32
<u>225,310</u>	<u>220,767</u>	<u>(4,543)</u>	<u>129,410</u>	<u>129,442</u>	<u>32</u>
79,586	71,062	8,524	37,298	34,758	2,540
58,111	56,470	1,641			
5,663	5,363	300	10,500	5,201	5,299
13,767	10,070	3,697			
15,000	14,487	513	1,750	1,635	115
5,327	1,261	4,066	7,000	6,875	125
859	859		5,000	5,000	
6,000	6,000		24,000	20,024	3,976
147,637	124,790	22,847	4,000	3,924	76
			75	62	13
<u>331,950</u>	<u>290,362</u>	<u>41,588</u>	<u>89,623</u>	<u>77,479</u>	<u>12,144</u>
<u>(106,640)</u>	<u>(69,595)</u>	<u>37,045</u>	<u>39,787</u>	<u>51,963</u>	<u>12,176</u>
10,000	12,500	2,500			
1,215	1,225	10			
28,467	29,231	764			
<u>39,682</u>	<u>42,956</u>	<u>3,274</u>			
(66,958)	(26,639)	40,319	39,787	51,963	12,176
65,635	65,635		61,131	61,131	
33,986	33,986		798	798	
<u>\$32,663</u>	<u>\$72,982</u>	<u>\$40,319</u>	<u>\$101,716</u>	<u>\$113,892</u>	<u>\$12,176</u>

(Continued)

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001
(Continued)**

	Expendable Trust		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental			
Interest	\$8,000	\$8,324	\$324
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	<u>8,000</u>	<u>8,324</u>	<u>324</u>
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Extracurricular activities			
Capital Outlay	1,000		1,000
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>1,000</u>		<u>1,000</u>
Excess of Revenues Over (Under) Expenditures	<u>7,000</u>	<u>8,324</u>	<u>1,324</u>
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7,000	8,324	1,324
Fund Balances at Beginning of Year	168,879	168,879	
Prior Year Encumbrances Appropriated			
Fund Balance at end of Year	<u><u>\$175,879</u></u>	<u><u>\$177,203</u></u>	<u><u>\$1,324</u></u>

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

Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)
\$1,733,705	\$1,728,276	(\$5,429)
32,500	34,804	2,304
446,500	446,404	(96)
350	632	282
96,515	97,358	843
21,435	21,730	295
45,890	45,901	11
1,226,976	1,227,026	50
4,700	4,716	16
3,608,571	3,606,847	(1,724)
1,665,605	1,606,478	59,127
264,006	222,518	41,488
162,086	155,821	6,265
154,262	142,711	11,551
112,863	103,968	8,895
9,300	7,846	1,454
317,920	312,578	5,342
143,730	129,420	14,310
1,550	657	893
370,016	340,177	29,839
275,619	267,363	8,256
94,078	80,514	13,564
280,987	249,976	31,011
35,600	21,759	13,841
4,000	3,924	76
75	62	13
3,891,697	3,645,772	245,925
(283,126)	(38,925)	244,201
10,000	12,500	2,500
150	168	18
9,845	10,348	503
33,867	34,652	785
(16,950)	(12,500)	4,450
36,912	45,168	8,256
(246,214)	6,243	252,457
698,086	698,086	
78,217	78,217	
\$530,089	\$782,546	\$252,457

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$147,175		\$147,175
Interest		\$20	20
Total Operating Revenues	<u>147,175</u>	<u>20</u>	<u>147,195</u>
Operating Expenses			
Salaries	61,803		61,803
Fringe Benefits	21,358		21,358
Purchased Services	2,427		2,427
Materials and Supplies	104,554		104,554
Depreciation	394		394
Other	689		689
Total Operating Expenses	<u>191,225</u>		<u>191,225</u>
Operating Income (Loss)	<u>(44,050)</u>	<u>20</u>	<u>(44,030)</u>
Non-Operating Revenues and Expenses			
Federal Donated Commodities	10,823		10,823
Interest	2,414		2,414
Federal and State Subsidies	30,197		30,197
Loss on Sale of Fixed Assets	(60)		(60)
Total Non-Operating Revenues and Expenses	<u>43,374</u>		<u>43,374</u>
Net Income (Loss)	(676)	20	(656)
Retained Earnings/Fund Balances at Beginning of Year	<u>58,186</u>	<u>1,314</u>	<u>59,500</u>
Retained Earnings/Fund Balances at End of Year	<u>\$57,510</u>	<u>\$1,334</u>	<u>\$58,844</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increase/(Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Sales	\$147,463		\$147,463
Cash Payments to Suppliers for Goods and Service	(93,512)		(93,512)
Cash Payments for Contract Services	(2,427)		(2,427)
Cash Payments for Employee Services	(60,259)		(60,259)
Cash Payments for Employee Benefits	(20,162)		(20,162)
Other Cash Payments	(689)		(689)
Net Cash Used by Operating Activities	<u>(29,586)</u>		<u>(29,586)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	<u>30,197</u>		<u>30,197</u>
Net Cash Provided by Noncapital Financing Activities	<u>30,197</u>		<u>30,197</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	<u>2,414</u>	<u>\$20</u>	<u>2,434</u>
Net Cash Provided by Investing Activities	<u>2,414</u>	<u>20</u>	<u>2,434</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	<u>(780)</u>		<u>(780)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(780)</u>		<u>(780)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,245	20	2,265
Cash and Cash Equivalents at Beginning of Year	<u>54,762</u>	<u>1,314</u>	<u>56,076</u>
Cash and Cash Equivalents at End of Year	<u><u>\$57,007</u></u>	<u><u>\$1,334</u></u>	<u><u>\$58,341</u></u>

(Continued)

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2001
(Continued)**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$44,050)	\$20	(\$44,030)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Depreciation	394		394
Donated Commodities Used During the Year	10,823		10,823
Adjustments to Capital Outlay	780		780
Nonexpendable Trust Interest		(20)	(20)
(Increase) Decrease in Assets:			
Accounts Receivable	288		288
Material and Supplies Inventory	(237)		(237)
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	799		799
Intergovernmental Payable	1,016		1,016
Deferred Revenue	(275)		(275)
Accrued Wages and Benefits	925		925
Accounts Payable	(49)		(49)
Total Adjustments	<u>14,464</u>	<u>(20)</u>	<u>14,444</u>
Net Cash Used by Operating Activities	<u>(\$29,586)</u>		<u>(\$29,586)</u>

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:

Cash and Cash Equivalents - Trust and Agency Funds	\$246,457
Less: Agency Funds	(67,920)
Less: Expendable Trust Funds	<u>(177,203)</u>
Cash and Cash Equivalents - Nonexpendable Trust Funds	<u>\$1,334</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Pettisville Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Pettisville Local School District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 23 noncertified and 45 certificated full time teaching personnel who provide services to 565 students and other community members.

The Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Pettisville Local School District, this includes general operations, food service, preschool and student related activities of the School District.

The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

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, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Pettisville School Foundation. These organizations are presented in Notes 13, 14, and 15 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pettisville Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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All proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust, and agency funds. The full accrual basis of accounting is followed by the proprietary fund types and nonexpendable trust fund.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year-end.

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the

**PETTISVILLE LOCAL SCHOOL DISTRICT
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accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to disbursements for specified purposes.

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

2. Proprietary Funds

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those, found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

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Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable and Nonexpendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. Budgetary information is included within the District's reporting entity for which the "appropriated budget" is adopted.

The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.

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5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust fund for the year ended June 30, 2001 follows:

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	(\$27,405)	(\$26,639)	\$51,963	\$8,324
Revenue Accruals	126,328	3,018	10,059	
Expenditure Accruals	(72,427)	(5,729)	(353)	
Other Sources/(Uses)				
Encumbrances	102,205	5,631	10,753	
GAAP Basis	\$128,701	(\$23,719)	\$72,422	\$8,324

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Pooled Cash

Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained

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through the School 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.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and 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 and food service funds during fiscal year 2001 amounted to \$48,607.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

G. Property, Plant, and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for assets in the General Fixed Assets Account Group.

2. Proprietary Funds

Property, plant, and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of up to ten years.

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund

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operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Educational Management Information Systems (EMIS)
Onenet
SchoolNet Technology Training Grant
Instructional Material Subsidy
Ohio Reads Grant
Summer School Subsidy
ELO
Eisenhower Math-Science Grant (Thru Educational Service Center)
Title VI-B Flow Thru Grant (Thru Educational Service Center)
Title I
Title VI
Drug Free Grants
Federal Preschool Grant (Thru Educational Service Center)
Telecomm
Library Mini Grant
Title VI-R

Capital Projects Fund

SchoolNet
Tech Equity
Emergency Building Repair

Reimbursable Grants

General Fund

Driver Education Reimbursement

Enterprise Fund

National School Lunch Program
Government Donated Commodities

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.

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2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund receivables and interfund payables.

J. Total Columns on Financial Statements

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

K. Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, deposits at banks, investments of the cash management pool, and investments with a maturity date of 90 days or less at the time they are acquired by the District.

L. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the School District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement.

Sick leave benefits are accrued as a liability using the vested method. The liability includes the employees who are currently eligible to receive termination benefits and that the School 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 School District's termination policy.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

M. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For the other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

O. Fund Balance Reserves

The School 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, property taxes, endowments and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for endowments signifies the legal restrictions on the use of principal.

P. Estimates

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

3. EQUITY IN POOLED CASH

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawal 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 may be deposited or invested in the following securities:

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1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 School 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: At year-end, the carrying amount of the School District's deposits was \$1,027,396 and the bank balance was \$1,077,829. Of the bank balance:

1. \$204,760 was covered by federal depository insurance; and
2. \$873,069 was collateralized by securities specifically pledged by the financial institution to the District.

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

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Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	April 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	April 1 of the year preceding the collection year

The County Treasurers collect real estate property taxes on behalf of all taxing districts within the Counties of the District. The County Auditors periodically remit to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurers collect personal property taxes on behalf of all taxing districts within the Counties of the District. The County Auditors periodically remit to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2001. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2001.

The assessed values of properties upon which property tax revenues were based are as follows:

	<u>Amount</u>
Residential/Agricultural	\$26,198,710
Commercial/Industrial	3,337,100
Public Utility Real Property	36,740
Public Utility Personal Property	3,309,220
General Personal Property	<u>4,629,430</u>
Total valuation	<u><u>\$37,511,200</u></u>

5. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

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Asset Category	Balance at 6/30/00	Additions	Disposals	Balance at 6/30/01
Land and land improvements	\$402,481			\$402,481
Buildings	3,898,267	\$9,741		3,908,008
Furniture, fixtures and equipment	1,020,162	87,216	\$2,813	1,104,565
Vehicles	393,807	53,807		447,614
Infrastructure	2,863			2,863
Text and library books	148,955	6,209		155,164
Totals	\$5,866,535	\$156,973	\$2,813	\$6,020,695

A summary of Enterprise Fund fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$53,050
Less: Accumulated Depreciation	<u>(34,708)</u>
Net Fixed Assets	<u><u>\$18,342</u></u>

6. OPERATING LEASE

The School District is obligated under certain leases accounted for as operating leases. During 1999, the District entered into an agreement to lease recreational facilities. During 2001, the School District had expenditures of \$435 for this operating lease. The following schedule is of future minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30:	Amount
2002	\$421
2003	406
2004	391
2005	377
2006	362
2007 – 2012	<u>1,731</u>
Total Minimum Lease Payment	<u><u>\$3,688</u></u>

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2001, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 7/1/00	Additions	Deductions	Balance at 6/30/01
Energy Conservation Loan	\$3,928		\$3,928	
Special Waterline Assessment	15,556		1,244	\$14,312
SERS and SERS Surcharge	21,407	\$6,422		27,829
Employee Benefit Obligations	241,114		594	240,520
Total Long-Term Obligations	\$282,005	\$6,422	\$5,766	\$282,661

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The Special Waterline Assessment Loan at June 30, 2001 totaling \$14,312 with current interest rate of 5.40% will mature in 2013.

Total expenditures for interest for the period ended June 30, 2001 was \$885.

The scheduled payments of principal and interest on debt outstanding at June 30, 2001 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$1,244	\$756	\$2,000
2003	1,244	689	1,933
2004	1,244	622	1,866
2005	1,244	555	1,799
2006	1,244	488	1,732
2007 – 2013	8,092	1,569	9,661
Total	<u>\$14,312</u>	<u>\$4,679</u>	<u>\$18,991</u>

8. 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.

At June 30, 2001, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Groups were \$8,072 and \$240,520, respectively. The liability for compensated absences in the proprietary fund at June 30, 2001 was \$4,718.

9. PENSION AND RETIREMENT 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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

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(Continued)**

Plan members are required to contribute 9 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 the annual covered payroll, 4.2% is the portion used to fund pension obligations for the fiscal year 2001. 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$22,594, \$25,979, and \$25,754, respectively; 44 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$37,632 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent, 9.5% was the portion used to fund pension obligations for the fiscal year 2001. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$184,820, \$111,202, and \$106,438 respectively; 85 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$39,408 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

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. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 9.8 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent 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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million. The number of participants currently receiving health care benefits is approximately 50,000.

For the District, the amount to fund postemployment benefits, including the surcharge, equaled \$61,669 during the 2001 fiscal year.

11. RISK MANAGEMENT

A. Comprehensive

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

Coverage provided by Nationwide insurance

General Liability	
Per Occurrence	\$5,000,000
Total per Year	2,000,000
Blanket Property Insurance (\$1,000 deductible)	10,159,600
Auto Coverage	
Liability	3,000,000
Auto Medical Payment	5,000

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. 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.

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

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. Worker's 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.

12. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2001 was as follows:

	Lunchroom/ Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating revenues	\$137,886	\$9,289	\$147,175
Depreciation	394		394
Operating (loss)	(41,970)	(2,080)	(44,050)
Donated commodities	10,823		10,823
Grants	30,197		30,197
Interest	2,414		2,414
Loss on Sale of Fixed Assets	(60)		(60)
Net income (loss)	1,404	(2,080)	(676)
Net working capital	38,526	642	39,168
Total assets	77,141	892	78,033
Total liabilities	20,273	250	20,523
Total equity	56,868	642	57,510

13. 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,

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
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(Continued)**

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 \$19,742. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Lois Knuth, who serves as 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.

14. 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-member elected positions by the membership. The Foundation supports the School 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 School 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.

15. 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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$128,713. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as 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 § 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 \$439 to the WCGRP to cover the costs of administering the program.

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School 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 School District is also required to set aside money for budget stabilization.

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

	Textbooks	Capital Acquisition	Budget Stabilization	
Set-aside Balance as of June 30, 2000	(\$7,937)		\$33,962	
Current Year Set-aside Requirement	70,352	\$70,352		
Addition to Budget Stabilization			4,664	
Current Year Offsets		(70,352)		
Qualifying Disbursements	(92,865)			
Total	<u>(\$30,450)</u>		<u>\$38,626</u>	
Balance Carried Forward to FY 2002	<u>(\$30,450)</u>		<u>38,626</u>	
Amount Restricted for Budget Stabilization				<u>\$38,626</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School 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.

17. 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2001
(Continued)**

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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

18. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Pettisville Local School District
Fulton County
232 Summit Street
P.O. Box 53001
Pettisville, Ohio 43553-0001

To the Board of Education:

We have audited the financial statements of Pettisville Local School District (the District) as of and for the year ended June 30, 2001 and have issued our report thereon dated January 10, 2003. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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 to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 10, 2003.

Pettisville Local School District
Fulton County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

January 10, 2003



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
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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
FEBRUARY 11, 2003**