

**PETTISVILLE LOCAL SCHOOL
DISTRICT**

FULTON COUNTY

FINANCIAL STATEMENTS

Year Ended June 30, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Pettisville Local School District, Fulton County, prepared by Steyer & Co., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 2, 2013

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STEYER & CO.

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Pettisville Local School District
Pettisville, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pettisville Local School District, Fulton County, Ohio, (the District), as of and for the year ended June 30, 2011, 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, 2011, 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 January 21, 2013, on our consideration of Pettisville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



STEYER & CO.
Certified Public Accountants

Defiance, Ohio
January 21, 2013

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of the financial performance of Pettisville Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

In total, net assets increased \$4,337,349.

General revenues accounted for \$3,976,330, or 38.9% of all revenues. Program specific revenues in the form of, operating grants, and contributions accounted for 6,269,927, or 61.1% of total revenues of \$10,246,257.

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

The General Fund had \$4,411,253 in revenues and other financing sources and \$4,414,155 in expenditures. The General Fund's balance decreased \$2,902 from the prior fiscal year.

The Bond Retirement Fund had \$321,762 in revenues and \$323,432 in expenditures. The Bond Retirement Fund's balance decreased \$1,670 from the prior fiscal year.

The Classroom Facilities Fund had \$4,600,643 in revenues and \$11,375,437 in expenditures. The Classroom Facilities Fund's balance decreased \$6,774,794 from the prior fiscal year.

Using the Basic Financial Statements

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

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

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

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

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

All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

Fiduciary Funds

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2011 compared to fiscal year 2010.

**Table 1
Net Assets
Governmental Activities**

<u>Assets:</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and Other Assets	\$ 12,518,559	\$ 18,222,691	\$ (5,704,132)
Capital Assets, Net	<u>14,232,422</u>	<u>3,264,335</u>	<u>10,968,087</u>
Total Assets	26,750,981	21,487,026	5,263,955
 <u>Liabilities:</u>			
Current and Other Liabilities	2,620,921	2,166,878	454,043
Long-Term Liabilities	<u>5,723,833</u>	<u>5,251,270</u>	<u>472,563</u>
Total Liabilities	8,344,754	7,418,148	926,606
 <u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	8,818,487	2,460,699	6,357,788
Restricted	9,189,722	11,205,703	(2,015,981)
Unrestricted	<u>398,018</u>	<u>402,476</u>	<u>(4,458)</u>
Total Net Assets	<u>\$ 18,406,227</u>	<u>\$ 14,068,878</u>	<u>\$ 4,337,349</u>

There was a significant change in the current and other assets and the long-term liabilities due to the construction of a new school building.

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

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

<u>Revenues:</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
<u>Program Revenues:</u>			
Charges for Services and Sales	\$ 1,174,178	\$ 1,339,574	\$ (165,396)
Operating Grants, Contributions, and interest	511,502	494,574	16,928
Capital Grants and Contributions	<u>4,584,247</u>	<u>9,242,762</u>	<u>(4,658,515)</u>
Total Program Revenues	6,269,927	11,076,910	(4,806,983)
 <u>General Revenues:</u>			
Property Taxes	1,374,043	1,415,422	(41,379)
Income Taxes	442,523	388,892	53,631
Grants and Entitlements	2,078,211	2,162,304	(84,093)
Interest	30,048	35,216	(5,168)
Gifts and Donations	14,756	13,287	1,469
Miscellaneous	36,658	11,637	25,021
Proceeds from sale of capital assets	91	(53,271)	53,362
Insurance recovery	-	7,596	(7,596)
Total General Revenues	<u>3,976,330</u>	<u>3,981,083</u>	<u>4,753</u>
Total Revenues	<u>\$ 10,246,257</u>	<u>\$ 15,057,993</u>	<u>\$ (4,811,736)</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

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

<u>Expenses:</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Instruction	\$ 2,978,368	\$ 2,944,008	\$ 34,360
Support Services:			
Pupils	98,485	175,448	(76,963)
Instructional Staff	148,757	127,395	21,362
Board of Education	24,126	19,500	4,626
Administration	485,498	494,135	(8,637)
Fiscal	212,051	203,712	8,339
Business	1,094	1,227	(133)
Operation and Maintenance of Plant	424,916	424,569	347
Pupil Transportation	265,921	244,901	21,020
Central	83,233	81,779	1,454
Non-Instructional Services	253,022	255,925	(2,903)
Extracurricular Activities	369,549	376,402	(6,853)
Capital Outlay	293,454	803,636	(510,182)
Interest and Fiscal Charges	270,434	243,260	27,174
Total Expenses	<u>5,908,908</u>	<u>6,395,897</u>	<u>(486,989)</u>
Increase in Net Assets	4,337,349	8,662,096	(4,324,747)
Net Assets at Beginning of Year	14,068,878	5,406,782	8,662,096
Net Assets at End of Year	<u>\$18,406,227</u>	<u>\$14,068,878</u>	<u>\$ 4,337,349</u>

There was a significant decrease in program revenues in fiscal year 2011 due to the resources received from the Ohio School Facilities Commission for the building of a new school in 2010. The overall change in general revenues was significant.

Governmental Activities

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$ 2,978,368	\$ 2,944,008	\$ 1,944,144	\$ 1,622,037
Support Services:				
Pupils	98,485	175,448	(56,624)	49,122
Instructional Staff	148,757	127,395	147,952	127,395
Board of Education	24,126	19,500	24,126	19,500
Administration	485,498	494,135	333,767	489,135
Fiscal	212,051	203,712	212,051	203,712
Business	1,094	1,227	1,094	1,227
Operation & Maintenance of				
Plant	424,916	424,569	413,786	413,439
Pupil Transportation	265,921	244,901	265,921	238,494
Central	83,233	81,779	83,233	81,779
Non-Instructional Services	253,022	255,925	19,469	9,714
Extracurricular Activities	369,549	376,402	265,871	259,299
Capital Outlay	293,454	803,636	(4,286,243)	(8,439,126)
Interest and Fiscal Charges	270,434	243,260	270,434	243,260
Total Expenses	\$ 5,908,908	\$ 6,395,897	\$ (361,019)	\$ 4,681,013

Table 3 shows the dependence upon tax revenues and unrestricted state entitlements is apparent over 67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenue is 7%. The remaining 93% is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The increase in fund balance for the General Fund is mostly due to the increase of income tax revenue. The decrease in the Bond Retirement Fund is mostly due to the decrease of taxes collected. The largest change in fund balance was in the Classroom Facilities Fund where capital increased due to the construction of the new school.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2011, the District amended its General Fund budget as needed. For revenues, changes from both the original budget to the final budget and from the final budget to actual revenues were not significant. For expenditures, the District increased the final budget; however, final expenditures were more in line with the original budget. The District has a history of appropriating and operating conservatively.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$14,232,422 invested in capital assets (net of accumulated depreciation), an increase of approximately 336% from the prior year.

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

For further information regarding the District's capital assets, refer to Note 8 of the basic financial statements.

Debt

At June 30, 2011, the District had \$4,765,155 in school improvement general obligation bonds for construction and building improvements. The bonds were issued in the amount of \$4,830,000 for a twenty-eight year period, with final maturity on December 1, 2036. Also, the District had \$3,357 in a special waterline assessment note. The notes will mature in fiscal year 2014. The notes are being retired through the General Fund. During the year the District issued \$625,000 in qualified school construction bonds for the construction of the wind turbine with maturity on December 1, 2026.

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

At June 30, 2011, the District's overall legal debt margin was \$(1,435,533), with an un-voted debt margin of \$43,940.

For further information regarding the District's long-term obligations, refer to Note 14 to the basic financial statements.

Current Issues

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

The District is currently operating in the first year of the state biennium budget. 52% of District revenue sources are from local funds, and the sale of construction bonds and notes, 46% is from state funds and the remaining 2% is from federal funds. The total expenditure per pupil was calculated at \$9,568.

In May 2003, the District passed a five-year 1% tax to generate \$340,000 annually. It has been renewed for a permanent period of time and has grown to collecting \$453,796 in fiscal year 2008 and has fallen to \$398,675 in fiscal year 2010. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

In November 2008, the District passed a 7.86 mill bond levy to generate funds toward the building of a new K-12 facility through the Ohio School Facilities Commission. The local dollars generated make up a match of 18% of the \$21,410,094. There are additional locally funded initiatives that are expected to cost \$976,000. The construction of the facility is currently in progress and the completion is scheduled for mid to late 2011.

Contacting the District's Financial Management

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 7,784,260
Investments	2,703,145
Materials and Supplies Inventory	10,363
Accrued Interest Receivable	562
Accounts Receivable	1,733
Intergovernmental Receivable	221,578
Taxes Receivable	1,589,233
Income Taxes Receivable	207,685
Non-Depreciable Capital Assets	12,121,725
Depreciable Capital Assets, net	2,110,697
Total Assets	26,750,981
 LIABILITIES	
Current Liabilities	
Accounts Payable	16,281
Accrued Interest Payable	20,423
Accrued Wages and Benefits	527,803
Contracts Payable	326,155
Intergovernmental Payable	130,287
Matured Compensated Absences Payable	52,204
Deferred Revenue	1,441,426
Long-Term Liabilities:	
Due Within One Year	106,342
Due in More Than One Year	5,723,833
Total Liabilities	8,344,754
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,818,487
Restricted for Debt Service	157,838
Restricted for Capital Outlay	8,616,723
Restricted for Other Purposes	415,161
Unrestricted	398,018
Total Net Assets	\$ 18,406,227

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, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Grants and Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES:					
Instruction:					
Regular	\$ 2,522,829	\$ 916,687	\$ 55,059	\$ 4,550	\$ (1,546,533)
Special	221,437	-	33,500	-	(187,937)
Vocational	216,404	-	24,428	-	(191,976)
Other	17,698	-	-	-	(17,698)
Support Services:					
Pupils	98,485	-	155,109	-	56,624
Instructional Staff	148,757	-	805	-	(147,952)
Board of Education	24,126	-	-	-	(24,126)
Administration	485,498	-	151,731	-	(333,767)
Fiscal	212,051	-	-	-	(212,051)
Business	1,094	-	-	-	(1,094)
Operation and Maintenance of Plant	424,916	-	11,130	-	(413,786)
Pupil Transportation	265,921	-	-	-	(265,921)
Central	83,233	-	-	-	(83,233)
Operation of Non-Instructional Services	253,022	153,813	79,740	-	(19,469)
Extracurricular Activities	369,549	103,678	-	-	(265,871)
Capital Outlay	293,454	-	-	4,579,697	4,286,243
Interest and Fiscal Charges	270,434	-	-	-	(270,434)
Totals	<u>\$ 5,908,908</u>	<u>\$ 1,174,178</u>	<u>\$ 511,502</u>	<u>\$ 4,584,247</u>	<u>361,019</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					971,687
Property Taxes, Levied for Capital Outlay					107,897
Property Taxes, Levied for Debt Service					276,849
Property Taxes, Levied for Other					17,610
Income Taxes					442,523
Grants and Entitlements not Restricted to					
Specific Programs					2,078,211
Gifts and Donations					14,756
Investment Earnings					30,048
Miscellaneous					42
Proceeds from sale of capital assets					<u>36,707</u>
<i>Total General Revenues</i>					<u>3,976,330</u>
<i>Change in Net Assets</i>					4,337,349
<i>Net Assets Beginning of Year</i>					<u>14,068,878</u>
<i>Net Assets End of Year</i>					<u>\$ 18,406,227</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current Assets:					
Equity in Pooled Cash and Cash					
Equivalents	\$ 1,188,747	\$ 128,594	\$ 5,145,153	\$ 1,321,766	\$ 7,784,260
Investments	-	-	1,952,425	750,720	2,703,145
Materials and Supplies Inventory	-	-	-	10,363	10,363
Accrued Interest Receivable	119	-	397	46	562
Accounts Receivable	-	-	-	1,733	1,733
Interfund Receivable	1,952	54	-	5,567	7,573
Intergovernmental Receivable	-	-	-	221,578	221,578
Taxes Receivable	1,169,310	288,253	-	131,670	1,589,233
Income Taxes Receivable	<u>207,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,685</u>
Total Assets	<u>\$ 2,567,813</u>	<u>\$ 416,901</u>	<u>\$ 7,097,975</u>	<u>\$ 2,443,443</u>	<u>\$ 12,526,132</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 12,739	\$ -	\$ -	\$ 3,542	\$ 16,281
Accrued Wages and Benefits	488,941	-	-	38,862	527,803
Contracts Payable	-	-	326,155	-	326,155
Interfund Payable	-	-	5,567	2,006	7,573
Intergovernmental Payable	118,925	-	-	11,362	130,287
Matured Compensated Absences Payable	52,204	-	-	-	52,204
Deferred Revenue	<u>1,110,559</u>	<u>263,362</u>	<u>-</u>	<u>181,108</u>	<u>1,555,029</u>
Total Liabilities	<u>1,783,368</u>	<u>263,362</u>	<u>331,722</u>	<u>236,880</u>	<u>2,615,332</u>
FUND BALANCES					
Nonspendable	-	-	-	10,363	10,363
Restricted	-	153,539	6,766,253	2,033,723	8,953,515
Committed	20,966	-	-	-	20,966
Assigned	27,332	-	-	204,734	232,066
Unassigned	<u>736,147</u>	<u>-</u>	<u>-</u>	<u>(42,257)</u>	<u>693,890</u>
Total Fund Balances	<u>784,445</u>	<u>153,539</u>	<u>6,766,253</u>	<u>2,206,563</u>	<u>9,910,800</u>
Total Liabilities and Fund Balances	<u>\$ 2,567,813</u>	<u>\$ 416,901</u>	<u>\$ 7,097,975</u>	<u>\$ 2,443,443</u>	<u>\$ 12,526,132</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
 June 30, 2011**

Total Governmental Fund Balances		\$ 9,910,800
<i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,232,422
Taxes receivable that do not provide financial resources are not reported as revenues in governmental fund.		113,603
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	(5,413,935)	
Compensated absences payable	(436,663)	
	(5,850,598)	
<i>Net Assets of Governmental Activities</i>		<u>\$ 18,406,227</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property and Other Local Taxes	\$ 973,307	\$ 277,338	\$ -	\$ 125,721	\$ 1,376,366
Income Tax	439,058	-	-	-	439,058
Intergovernmental	2,073,600	43,404	4,579,697	480,332	7,177,033
Interest	4,356	1,020	20,946	3,726	30,048
Tuition and Fees	916,687	-	-	-	916,687
Rent	-	-	-	-	-
Extracurricular Activities	3,394	-	-	100,284	103,678
Gifts and Donations	718	-	-	14,038	14,756
Customer Sales and Services	-	-	-	153,813	153,813
Miscellaneous	42	-	-	-	42
Total Revenues	<u>4,411,162</u>	<u>321,762</u>	<u>4,600,643</u>	<u>877,914</u>	<u>10,211,481</u>
EXPENDITURES					
Current:					
Instruction:					
Regular	2,376,932	-	-	66,463	2,443,395
Special	216,431	-	-	-	216,431
Vocational	207,748	-	-	-	207,748
Other	17,698	-	-	-	17,698
Support Services:					
Pupils	(55,987)	-	-	155,265	99,278
Instructional Staff	141,620	-	-	1,121	142,741
Board of Education	24,126	-	-	-	24,126
Administration	325,577	-	-	153,533	479,110
Fiscal	200,905	6,861	-	3,133	210,899
Business	1,094	-	-	-	1,094
Operation and Maintenance of Plant	409,092	-	-	9,947	419,039
Pupil Transportation	249,979	-	-	-	249,979
Central	83,233	-	-	-	83,233
Operation of Non-Instructional Services					
Services	-	-	-	250,064	250,064
Extracurricular Activities	215,707	-	-	117,141	332,848
Capital Outlay	-	-	11,375,437	24,615	11,400,052
Debt Service:					
Principal	-	105,000	-	-	105,000
Interest	-	211,571	-	8,361	219,932
Advance Refunding Escrow	-	-	-	-	-
Total Expenditures	<u>4,414,155</u>	<u>323,432</u>	<u>11,375,437</u>	<u>789,643</u>	<u>16,902,667</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(2,993)</u>	<u>(1,670)</u>	<u>(6,774,794)</u>	<u>88,271</u>	<u>(6,691,186)</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES AND USES					
General Obligation Bonds Issued	-	-	-	625,000	625,000
Proceeds from Sale of Capital Assets	<u>91</u>	<u>-</u>	<u>-</u>	<u>36,616</u>	<u>36,707</u>
Total Other Financing Sources and Uses	<u>91</u>	<u>-</u>	<u>-</u>	<u>661,616</u>	<u>661,707</u>
Net Change in Fund Balances	(2,902)	(1,670)	(6,774,794)	749,887	(6,029,479)
Fund Balance at Beginning of Year	<u>787,347</u>	<u>155,209</u>	<u>13,541,047</u>	<u>1,456,676</u>	<u>15,940,279</u>
Fund Balance at End of Year	<u>\$ 784,445</u>	<u>\$ 153,539</u>	<u>\$ 6,766,253</u>	<u>\$ 2,206,563</u>	<u>\$ 9,910,800</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, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (6,029,479)

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

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

Capital outlays - depreciable capital assets	11,155,435	
Depreciation	<u>(167,985)</u>	
		10,987,450

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

Gain on Disposal of Capital Assets	(19,363)
------------------------------------	----------

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

Intergovernmental	(3,073)	
Income Taxes	3,465	
Delinquent Property Taxes	<u>(2,323)</u>	
		(1,931)

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

106,342

General obligation bonds issued

(625,000)

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

(50,502)

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

(30,168)

Change in Net Assets of Governmental Activities **\$ 4,337,349**

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Over (Under)</u>
REVENUES				
Property and Other Local Taxes	\$ 1,003,479	\$ 1,020,132	\$ 1,016,336	\$ (3,796)
Income Tax	400,000	415,804	415,804	-
Intergovernmental	2,169,460	2,175,064	2,073,600	(101,464)
Interest	5,000	5,000	4,209	(791)
Tuition and Fees	1,041,816	1,048,788	916,687	(132,101)
Gifts and Donations	125	1,125	-	(1,125)
Extracurricular Activities	5,718	10,930	-	(10,930)
Miscellaneous	837	837	42	(795)
Total Revenues	<u>4,626,435</u>	<u>4,677,680</u>	<u>4,426,678</u>	<u>(251,002)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	2,274,759	2,412,023	2,376,926	35,097
Special	185,176	225,031	216,354	8,677
Vocational	214,057	218,775	211,857	6,918
Other	29,088	29,088	17,698	11,390
Support Services:				
Pupils	51,242	55,879	(55,435)	111,314
Instructional Staff	128,178	155,757	148,655	7,102
Board of Education	22,820	24,207	24,050	157
Administration	464,071	336,373	332,250	4,123
Fiscal	180,405	217,905	210,018	7,887
Business	1,239	1,439	1,094	345
Operation and Maintenance of Plant	436,795	445,795	404,459	41,336
Pupil Transportation	236,655	261,593	256,341	5,252
Central	75,365	84,682	83,271	1,411
Extracurricular Activities	219,531	231,696	215,842	15,854
Capital Outlay	76	76	-	76
Total Expenditures	<u>4,519,457</u>	<u>4,700,319</u>	<u>4,443,380</u>	<u>256,939</u>
Excess of Revenues Over (Under)				
Expenditures	106,978	(22,639)	(16,702)	5,937
OTHER FINANCING SOURCES AND USES				
Proceeds from Sale of Fixed Assets	<u>103</u>	<u>103</u>	<u>91</u>	<u>12</u>
Total Other Financing Sources and Uses	<u>103</u>	<u>103</u>	<u>91</u>	<u>12</u>
Net Change in Fund Balances	107,081	(22,536)	(16,611)	5,949
Fund Balance at Beginning of Year	1,161,066	1,161,066	1,161,066	-
Prior Year Encumbrances Appropriated	<u>29,446</u>	<u>29,446</u>	<u>29,446</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,297,593</u>	<u>\$ 1,167,976</u>	<u>\$ 1,173,901</u>	<u>\$ 5,949</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, 2011**

	Private Purpose Trust	Agency Fund
ASSETS		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 656	\$ 53,929
Total Assets	656	53,929
LIABILITIES		
Current Liabilities:		
Undistributed Monies	-	53,929
Total Liabilities	-	53,929
NET ASSETS		
Held in Trust for Scholarships	656	-
Total Net Assets	\$ 656	\$ -

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust <hr style="border: 0.5px solid black;"/>
Change in Net Assets	\$ -
Net Assets Beginning of Year	<u>656</u>
Net Assets End of Year	<u><u>656</u></u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Pettisville Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Pettisville Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District’s one instructional/support facility staffed by 25 non-certified and 42 certified full-time teaching personnel who provide services to 522 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with organizations, which are defined as jointly governed organizations, a related organization, and group purchasing pools. These organizations include the Northwest Ohio Computer Association, Northern Buckeye Education Council, Four County Career Center, Northern Buckeye 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 17, 18, and 19 to the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The District’s basic financial statements consist of government-wide 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, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the District has no business-type activities.

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

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

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The fiduciary funds of the District consist of agency and private purpose trust funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which is an endowment held for scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred 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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis 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.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the function for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level 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."

During fiscal year 2011, investments consisted of money market funds, which are reported at cost, and governmental agency notes and bankers' acceptances, which we reported at market value.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$4,356 and \$25,692 to other District funds.

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventory

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

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and instructional material.

I. Capital Assets

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

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

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

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

J. Interfund Assets/Liabilities

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

N. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Assigned – Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

O. Interfund Transactions

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

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

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Estimates

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

Q. Pass-Through Grants

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

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 as follows:

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

Changes in Fund Balance	
GAAP Basis	\$ (2,902)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2010, Received in Cash FY 2011	286,187
Accrued FY 2011, Not Yet Received in Cash	(266,555)
Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(689,347)
Accrued FY 2011, Not Yet Paid in Cash	672,804
Encumbrances Outstanding at Fiscal Year End	(15,532)
Activity of Funds Reclassified for Fund Balances Reporting Purpose	(1,266)
Budget Basis	\$ (16,611)

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At year end, the District had no un-deposited cash on hand.

Deposits with Financial Institution

At June 30, 2011, the carrying amount of all District deposits was \$7,838,845. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$8,894,098 of the District's bank balance of \$9,144,098 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk for deposits is the risk that in the event of bank failure, the District's deposits may not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities 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 105% of the deposits being secured.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments

As of June 30, 2011, the District had the following investments:

Investment Type	Fair Value	Less Than 1 Year
Federal Home Loan Bank Notes	\$ 1,808,430	\$ 1,808,430
Federal Home Loan Bank Notes	885,125	885,125
Money Market Mutual Fund	9,590	9,590
Total Investments	<u>\$ 2,703,145</u>	<u>\$ 2,703,145</u>

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

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

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

Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2011:

<u>Cash per footnote</u>	
Carrying amount of deposits	\$ 7,838,845
Investments	<u>2,703,145</u>
Total	<u>\$ 10,541,990</u>
 <u>Cash per Statement of Net Assets</u>	
Governmental activities	\$ 10,487,405
Private Purpose Trust funds	656
Agency funds	<u>53,929</u>
Total	<u>\$ 10,541,990</u>

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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 and public utility property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 become a lien on December 31, 2009, were levied after April 1, 2010, and are collected in 2010 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes. Tangible personal property taxes for 2011 were levied after April 1, 2010, on the value as of December 31, 2009. Tangible personal property is currently assessed at 25% of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The District receives property taxes from Fulton and Henry Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property, which were measurable as of June 30, 2011 and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$89,901 in the General Fund, \$24,891 in the Bond Retirement fund, and \$11,207 in the Permanent Improvement fund. The amount available as an advance at June 30, 2010, was \$80,827 in the General Fund, \$31,792 in the Bond Retirement fund, and \$10,562 in the Permanent Improvement fund.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – PROPERTY TAXES

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second-Half		2011 First-Half	
	<u>Collections</u>		<u>Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$37,713,150	86.00	\$37,688,870	86.00
Industrial/Commercial	3,697,950	9.00	3,725,950	8.00
Public Utility Personal Property	<u>2,279,350</u>	<u>5.00</u>	<u>2,525,420</u>	<u>6.00</u>
Total Assessed Value	<u>\$43,690,450</u>	<u>100.00</u>	<u>\$43,940,240</u>	<u>100.00</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 53.16</u>		<u>\$ 58.66</u>	

NOTE 6 – INCOME TAXES

The District levies a voted tax of 1% for general operations on the income of residents and of estates. The tax was effective on January 1, 2003 for a five year period and has been renewed for a permanent 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, 2011, consisted of accrued interest, interfund, intergovernmental, property taxes, and income taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and income taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Education Jobs	\$ 144,731
Race to the Top	21,450
Title II – A	15,956
Rural Education Achievement Program	<u>39,441</u>
Total Intergovernmental Receivables	<u>\$ 221,578</u>

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance at</u> 6/30/10	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> 6/30/11
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets:				
Land	\$ 511,237	\$ -	\$ -	\$ 511,237
Construction in Progress	<u>455,053</u>	<u>11,155,435</u>	<u>-</u>	<u>11,610,488</u>
Total Non-Depreciable Capital Assets	<u>966,290</u>	<u>11,155,435</u>	<u>-</u>	<u>12,121,725</u>
Depreciable Capital Assets:				
Land Improvements	488,285	-	-	488,285
Buildings & Building Improvements	3,474,066	-	18,090	3,455,976
Furniture, Fixtures, & Equipment	392,482	-	84,782	307,700
Vehicles	680,972	-	-	680,972
Books	<u>409,815</u>	<u>-</u>	<u>-</u>	<u>409,815</u>
Total Depreciable Capital Assets	<u>5,445,620</u>	<u>-</u>	<u>102,872</u>	<u>5,342,748</u>
Less Accumulated Depreciation:				
Land Improvements	272,151	73,738	-	345,889
Buildings & Building Improvements	1,670,148	60,189	5,705	1,724,632
Furniture, Fixtures, & Equipment	326,941	15,966	77,804	265,103
Vehicles	517,492	14,798	-	532,290
Books	<u>360,843</u>	<u>3,294</u>	<u>-</u>	<u>364,137</u>
Total Accumulated Depreciation	<u>3,147,575</u>	<u>167,985</u>	<u>83,509</u>	<u>3,232,051</u>
Depreciable Capital Assets, Net	<u>2,298,045</u>	<u>(167,985)</u>	<u>19,363</u>	<u>2,110,697</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,264,335</u>	<u>\$10,987,450</u>	<u>\$ 19,363</u>	<u>\$ 14,232,422</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 73,000
Vocational	185
Support Services:	
Instructional Staff	3,657
Administration	600
Operation and Maintenance of Plant	2,556
Pupil Transportation	15,098
Non-Instructional Services	1,565
Extracurricular	27,910
Capital Outlay	43,414
Total Depreciation Expense	<u>\$ 167,985</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 10 – RISK MANAGEMENT (CONTINUED)

Equipment Breakdown:	\$	50,000,000
CFC Refrigerants	\$	250,000
Hazardous Substance Contamination	\$	250,000
Spoilage	\$	250,000
Expediting Expenses	\$	250,000
Crime Coverage:		
Employee Dishonesty Including Faithful Performance of Duty	\$	100,000
Forgery or Alteration	\$	100,000
Computer Fraud	\$	100,000
Theft, Disappearance & Destruction	\$	100,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the 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 educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The District pays monthly premiums to the Northern Buckeye Education Council (NBEC) for the benefits offered to its employees including medical, dental, vision, and life insurance. NBEC is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description – The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DB), a Defined Contribution Plan (DC) and a Combined Plan (CP). The DB offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DB and the DC. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB. The DB portion of the CP payment is payable to a member on or after age sixty; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC who become disabled are entitled only to their account balance. If a member of the DC dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10% of their annual covered salary. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to STRS Ohio for fiscal years ended June 30, 2011, 2010, and 2009 were \$318,540, \$332,945, and \$339,324, respectively; 82% has been contributed for fiscal year 2011, 100% for fiscal years 2010 and 2009.

B. School Employees Retirement System

Plan Description – The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or visiting the SERS' website.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10% of their annual covered salary and the District was required to contribute at an actuarially determined rate. The current District rate is 14% 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 2011, 11.81% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$114,494, \$103,833, and \$97,308, respectively; 47% has been contributed for fiscal year 2011, and 100% for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS' Ohio website at www.strsoh.org.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$22,752, \$23,890, and \$22,874, respectively; 82% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

B. School Employees Retirement System

Plan Description – The District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(c). For fiscal year 2011, 1.43% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the statewide SERS covered payroll for the health care surcharge. For fiscal year 2011, the surcharge amount was \$9,539.

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

The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$21,234, \$10,395, and \$39,099, respectively; 47% has been contributed for fiscal year 2011, 100% for fiscal year 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76% of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$6,215, \$5,637, and \$5,213, respectively; which equaled the required contributions for each year.

NOTE 13 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

The District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 14 – LONG-TERM OBLIATIONS

Changes in the District’s long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amount Due Within One Year
Governmental Activities					
Special Waterline Assessment	\$ 4,699	\$ -	\$ 1,342	\$ 3,357	\$ 1,342
General Obligation Bonds					
Qualified School Construction Bonds	-	625,000	-	625,000	-
School Facilities Improvement Bonds:					
Serial Bonds 2.5 – 3.7%	1,000,000	-	105,000	895,000	105,000
Term Bonds 4.3 – 5.0%	3,785,000	-	-	3,785,000	-
Capital Appreciation Bonds	55,076	30,079	-	85,155	-
Total General Obligation Bonds	4,840,076	655,079	105,000	5,390,155	105,000
Compensated Absences	406,495	436,663	406,495	436,663	-
Total Governmental Activities					
Long-Term Obligations	<u>\$ 5,251,270</u>	<u>\$ 1,091,742</u>	<u>\$ 512,837</u>	<u>\$ 5,830,175</u>	<u>\$ 106,342</u>

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

Qualified School Construction Bond – Proceeds from the bond was used for the purpose of constructing a wind turbine. The bond was issued on March 1, 2011 with an interest rate of 5.57%. The bond will mature on December 1, 2026.

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

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

Maturity Date (December 1)	Principal Amount	Interest Rate
2011	\$ 105,000	2.50%
2012	120,000	3.00%
2013	120,000	3.00%
2014	125,000	3.00%
2015	135,000	3.00%
2018	145,000	3.50%
2019	145,000	3.70%

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

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

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

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

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

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

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 14 – LONG-TERM OBLIATIONS (CONTINUED)

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

Maturity Date (December 1)	Original Principal Amount	Accreted Value at Maturity
2016	\$ 14,335	\$ 140,000
2017	10,665	140,000

The value of the capital appreciation bonds reported at June 30, 2011 was \$85,155. The annual accretion of interest is based on the straight-line method, which approximates the equity interest method. Total accreted interest of \$30,079 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

Total expenditures for interest for the period ended June 30, 2011 was \$219,932.

The scheduled payments of principal and interest on debt outstanding at June 30, 2011 are as follows:

<u>Special Waterline Assessment Loan</u>			
Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,342	\$ 190	\$ 1,532
2013	1,342	114	1,456
2014	673	38	711
Total	\$ 3,357	\$ 342	\$ 3,699

<u>General Obligation Bonds</u>						
	QSCB	Serial	Term	Capital Appreciation	Interest	Total
2012	\$ -	\$ 105,000	\$ -	\$ -	\$ 243,759	\$ 348,759
2013	-	120,000	-	-	240,646	360,646
2014	-	120,000	-	-	237,046	357,046
2015	-	125,000	-	-	233,371	358,371
2016	-	135,000	-	-	229,471	364,471
2017-2021	-	290,000	150,000	25,000	1,368,272	1,833,272
2022-2026	-	-	860,000	-	962,594	1,822,594
2027-2031	625,000	-	1,075,000	-	579,619	2,279,619
2032-2036	-	-	1,380,000	-	259,500	1,639,500
2037-2040	-	-	320,000	-	8,000	328,000
Total	\$ 625,000	\$ 895,000	\$ 3,785,000	\$ 25,000	\$ 4,362,278	\$ 9,692,278

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 15 – OPERATING LEASE

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights, and therefore, the results of the lease agreement are not reflected in the District’s financial statements. During 2008, the District entered into a lease agreement for a postage meter. During fiscal year 2011, the District had expenditures of \$600 for the operating lease.

The following schedule is of future minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30,	Amount
2012	\$ 600
2013	600
2014	50
Total minimum lease payment	\$ 1,250

NOTE 16 – 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 fiscal 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, 2010	\$ (90,604)	\$ -
Current Year Set-Aside Requirement	89,108	89,108
Qualifying Disbursements	(78,148)	(11,107,889)
Total	\$ (79,644)	\$ (11,018,781)
Cash Balance Carried Forward to FY 2012	\$ (79,644)	\$ -

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

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the North West Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2011, the District paid \$98,776 to NWOCA for various services. Financial information can be obtained from the North West Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

NOTE 18 – GROUP PURCHASING POOLS

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

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$345,573. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, Treasurer, at 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 18 – GROUP PURCHASING POOLS (CONTINUED)

B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program, this year a fee of \$591 was paid.

C. Schools of Ohio Risk Sharing Authority

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

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

NOTE 19 – RELATED ORGANIZATION

Pettisville School Foundation

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

NOTE 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, 2011.

B. Litigation

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 21 – CONTRACTURAL COMMITMENTS

As of June 30, 2011, the District had the following contractual purchase commitments:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
Miller Brother’s Construction	\$ 51,188
The Daily Company	2,795,088
Fitzenrider, Inc.	363,292
Woolace Electric	403,381
Accell Fire Systems	4,091
Breckenridge	195,636
Underwood Nursery	249,000
Anything Grows	106,532
Netech	168,275
Valley Electric	413,208
Martin Equipment	134,282
McNerney	29,905
Continental	246,123
Wenger	379,679
Total	<u>\$ 5,539,680</u>

NOTE 22 – CHANGE IN BASIS OF ACCOUNTING

For fiscal year 2011, the District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. The statement also requires certain funds to be included with the General Fund.

The fund balance restatements are as follows:

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>
Fund Balance, June 30, 2010	\$ 764,074	\$ 155,209	\$13,541,047	\$ 1,479,949
Reclassify Principal Funds	<u>23,273</u>	<u>-</u>	<u>-</u>	<u>(23,273)</u>
Restated Fund Balance, June 30, 2010	<u>\$ 787,347</u>	<u>\$ 155,209</u>	<u>\$13,541,047</u>	<u>\$ 1,456,676</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 23 – FUND BALANCE

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

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

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable for:					
Materials and					
Supplies Inventory	\$ -	\$ -	\$ -	\$ 10,363	\$ 10,363
Total Nonspendable	-	-	-	10,363	10,363
Restricted for:					
Regular Instruction	-	-	-	6,041	6,041
Athletics	-	-	-	94,402	94,402
Facilities Maintenance	-	-	-	84,727	84,727
Debt Retirement	-	153,539	-	-	153,539
Permanent					
Improvements	-	-	-	518,781	518,781
Building Construction	-	-	6,766,253	1,329,772	8,096,025
Total Restricted	-	153,539	6,766,253	2,033,723	8,953,515
Committed for					
Severance Pay	20,966	-	-	-	20,966
Total Committed	20,966	-	-	-	20,966
Assigned for:					
Public School Support	24,538	-	-	-	24,538
Special Projects Trust	-	-	-	204,734	204,734
Other Purposes	2,794	-	-	-	2,794
Total Assigned	27,332	-	-	204,734	232,066
Unassigned	736,147	-	-	(42,257)	693,890
Total Fund Balances	<u>\$ 784,445</u>	<u>\$ 153,539</u>	<u>\$ 6,766,253</u>	<u>\$ 2,206,563</u>	<u>\$ 9,910,800</u>

NOTE 24 – ACCOUNTABILITY

At June 30, 2011, Food Service, EMIS, Education Jobs, Fiscal Stabilization, Title II, REAP Grant, and Title I Special Revenue Funds had deficit fund balances of \$1,200, \$1,376, \$821, \$9,237, \$10,826, \$2,178, and \$6,256, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

**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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pettisville Local School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2013. 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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompany schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting, 2011-1. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pettisville Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated January 21, 2013.

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

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



STEYER & CO.
Certified Public Accountants

Defiance, Ohio
January 21, 2013

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

June 30, 2011

**2011-1 Significant Deficiency
Financial Reporting**

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

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

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

Management's Response:

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
*June 30, 2011***

Finding Number	Finding Summary	Fully Corrected?	Action Taken
2010-1	Material Weakness Financial Reporting	Yes	Corrected.
2010-2	Significant Deficiency Lack of segregation of duties	No	Not Corrected. Reissued as finding 2011-1.



Dave Yost • Auditor of State

PETTISVILLE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 16, 2013**