



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

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January 21, 2003

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Pettisville Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report January 10, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

January 10, 2003

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**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2002**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$567,160	\$82,052	\$247,859
Cash and Cash Equivalents:			
Receivables:			
Taxes	1,268,023		134,370
Accounts	71	602	
Intergovernmental		6,197	
Interfund Receivable	6,040		
Materials and Supplies Inventory			
Fixed Assets			
Accumulated Depreciation			
<b>Other Debits:</b>			
Amount to be Provided From General Government Resources			
<b>Total Assets and Other Debits</b>	<b>\$1,841,294</b>	<b>\$88,851</b>	<b>\$382,229</b>
 <b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts Payable	\$15,356	\$1,454	
Accrued Wages and Benefits	372,423	8,407	
Compensated Absences Payable	19,065		
Interfund Payable		6,040	
Intergovernmental Payable	55,171	781	
Deferred Revenue	1,129,962	1,097	\$120,539
Special Assessment Loan Payable Due to Students			
Total Liabilities	1,591,977	17,779	120,539
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved for Encumbrances	16,457	12,982	
Reserved for Contributions			
Reserved for Property Taxes	98,707		10,919
Unreserved, Undesignated	134,153	58,090	250,771
Total Fund Equity and Other Credits	249,317	71,072	261,690
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$1,841,294</b>	<b>\$88,851</b>	<b>\$382,229</b>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$43,317	\$235,182			\$1,175,570
				1,402,393
4,913	237			5,823
				6,197
				6,040
3,888				3,888
53,050		\$6,106,676		6,159,726
(35,077)				(35,077)
			\$332,487	332,487
<b>\$70,091</b>	<b>\$235,419</b>	<b>\$6,106,676</b>	<b>\$332,487</b>	<b>\$9,057,047</b>
\$215	\$1,499			\$18,524
3,880				384,710
8,176			\$290,826	318,067
				6,040
9,814			28,593	94,359
2,089				1,253,687
			13,068	13,068
	55,172			55,172
24,174	56,671		332,487	2,143,627
		\$6,106,676		6,106,676
45,917				45,917
	2,312			31,751
	500			500
				109,626
	175,936			618,950
45,917	178,748	6,106,676		6,913,420
<b>\$70,091</b>	<b>\$235,419</b>	<b>\$6,106,676</b>	<b>\$332,487</b>	<b>\$9,057,047</b>

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002**

	<b>Governmental Fund Type</b>
	<b>General</b>
<b>Revenues:</b>	
Intergovernmental	\$1,800,448
Interest	25,489
Tuition and Fees	373,821
Rent	166
Extracurricular Activities	
Gifts and Donations	7,491
Customer Services	1,250
Property and Other Local Taxes	1,133,665
Miscellaneous	1,130
Total Revenues	3,343,460
<b>Expenditures:</b>	
Instruction:	
Regular	1,531,864
Special	195,492
Vocational	161,536
Support services:	
Pupils	123,791
Instructional Staff	100,228
Board of Education	14,710
Administration	322,398
Fiscal	115,937
Business	917
Operation and Maintenance of Plant	346,523
Pupil Transportation	219,379
Central	91,556
Extracurricular activities	150,118
Capital Outlay	49,609
Total Expenditures	3,424,058
Excess of Revenues Over (Under) Expenditures	(80,598)
<b>Other Financing Sources and Uses</b>	
Operating Transfers In	
Proceeds from Sale of Fixed Assets	150
Refund of Prior Year Expenditures	5,434
Other Financing Sources	3,021
Operating Transfers Out	(12,000)
Total Other Financing Sources (Uses)	(3,395)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(83,993)
Fund Balance at Beginning of Year	333,310
<b>Fund Balance at End of Year</b>	<b>\$249,317</b>

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Special Revenue	Capital Projects	Expendable Trust	
\$150,419	\$27,201	\$4,721	\$1,978,068
			30,210
			373,821
			166
94,657			94,657
14,198			21,689
			1,250
	124,356		1,258,021
			1,130
<u>259,274</u>	<u>151,557</u>	<u>4,721</u>	<u>3,759,012</u>
27,919	25,220		1,585,003
54,217			249,709
3,040			164,576
16,710		2,402	142,903
13,765			113,993
			14,710
15,324			337,722
	2,562		118,499
			917
6,426			352,949
264			219,643
20,470			112,026
111,051		2,120	263,289
			49,609
<u>269,186</u>	<u>27,782</u>	<u>4,522</u>	<u>3,725,548</u>
<u>(9,912)</u>	<u>123,775</u>	<u>199</u>	<u>33,464</u>
12,000			12,000
			150
			5,434
1,289			4,310
			(12,000)
<u>13,289</u>			<u>9,894</u>
3,377	123,775	199	43,358
67,695	137,915	177,203	716,123
<u>\$71,072</u>	<u>\$261,690</u>	<u>\$177,402</u>	<u>\$759,481</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$1,801,175	\$1,802,261	\$1,086
Interest	45,000	45,202	202
Tuition and Fees	449,565	449,579	14
Rent	155	166	11
Extracurricular Activities			
Gifts and Donations	7,450	7,491	41
Customer Services	1,250	1,250	
Property and Other Local Taxes	1,152,981	1,152,994	13
Miscellaneous	1,100	1,059	(41)
Total Revenues	3,458,676	3,460,002	1,326
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,634,701	1,550,880	83,821
Special	204,655	194,545	10,110
Vocational	167,973	162,387	5,586
Support services:			
Pupils	138,920	118,000	20,920
Instructional Staff	112,607	103,987	8,620
Board of Education	15,735	14,617	1,118
Administration	333,985	321,440	12,545
Fiscal	122,320	117,633	4,687
Business	1,250	722	528
Operation and Maintenance of Plant	375,342	344,427	30,915
Pupil Transportation	249,584	219,620	29,964
Central	102,398	89,622	12,776
Extracurricular activities	160,510	147,410	13,100
Capital Outlay	55,000	50,443	4,557
Total Expenditures	3,674,980	3,435,733	239,247
Excess of Revenues Over (Under) Expenditures	(216,304)	24,269	240,573
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	200	150	(50)
Refund of Prior Year Expenditures	5,000	5,434	434
Advances In			
Other Financing Sources	3,000	3,021	21
Operating Transfers Out	(13,960)	(12,000)	1,960
Advances Out	(6,040)	(6,040)	
Other Financing Uses	(20,195)		20,195
Total Other Financing Sources (Uses)	(31,995)	(9,435)	22,560
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(248,299)	14,834	263,133
Fund Balances at Beginning of Year	418,469	418,469	
Prior Year Encumbrances Appropriated	102,205	102,205	
<b>Fund Balance at end of Year</b>	<b>\$272,375</b>	<b>\$535,508</b>	<b>\$263,133</b>

Special Revenue			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$99,313	\$148,129	\$48,816	\$27,053	\$27,201	\$148
92,075	94,262	2,187			
15,350	14,198	(1,152)			
			120,160	124,149	3,989
<u>206,738</u>	<u>256,589</u>	<u>49,851</u>	<u>147,213</u>	<u>151,350</u>	<u>4,137</u>
44,461	40,139	4,322	25,574	25,574	
57,112	53,418	3,694			
3,110	3,110				
17,156	17,156				
18,047	15,712	2,335			
15,500	15,318	182			
			2,700	2,562	138
6,566	6,529	37			
264	264				
27,540	20,470	7,070			
125,963	114,403	11,560			
			49,800		49,800
<u>315,719</u>	<u>286,519</u>	<u>29,200</u>	<u>78,074</u>	<u>28,136</u>	<u>49,938</u>
<u>(108,981)</u>	<u>(29,930)</u>	<u>79,051</u>	<u>69,139</u>	<u>123,214</u>	<u>54,075</u>
14,500	12,000	(2,500)			
	6,040	6,040			
35,708	1,289	(34,419)			
<u>50,208</u>	<u>19,329</u>	<u>(30,879)</u>			
(58,773)	(10,601)	48,172	69,139	123,214	54,075
72,982	72,982		113,892	113,892	
5,632	5,632		10,754	10,754	
<u><b>\$19,841</b></u>	<u><b>\$68,013</b></u>	<u><b>\$48,172</b></u>	<u><b>\$193,785</b></u>	<u><b>\$247,860</b></u>	<u><b>\$54,075</b></u>

(Continued)

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002  
(Continued)**

	Expendable Trust		
	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
Intergovernmental			
Interest	\$4,000	\$4,721	\$721
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	4,000	4,721	721
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Support services:			
Pupils	2,500	2,402	98
Instructional Staff	2,350	2,325	25
Board of Education			
Administration			
Fiscal			
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Extracurricular activities	2,125	2,106	19
Capital Outlay	3,025		3,025
Total Expenditures	10,000	6,833	3,167
Excess of Revenues Over (Under) Expenditures	(6,000)	(2,112)	3,888
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Other Financing Uses			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,000)	(2,112)	3,888
Fund Balances at Beginning of Year	177,203	177,203	
Prior Year Encumbrances Appropriated			
<b>Fund Balance at end of Year</b>	<b>\$171,203</b>	<b>\$175,091</b>	<b>\$3,888</b>

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



<b>Totals (Memorandum Only)</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$1,927,541	\$1,977,591	\$50,050
49,000	49,923	923
449,565	449,579	14
155	166	11
92,075	94,262	2,187
22,800	21,689	(1,111)
1,250	1,250	
1,273,141	1,277,143	4,002
1,100	1,059	(41)
<b>3,816,627</b>	<b>3,872,662</b>	<b>56,035</b>
1,704,736	1,616,593	88,143
261,767	247,963	13,804
171,083	165,497	5,586
158,576	137,558	21,018
133,004	122,024	10,980
15,735	14,617	1,118
349,485	336,758	12,727
125,020	120,195	4,825
1,250	722	528
381,908	350,956	30,952
249,848	219,884	29,964
129,938	110,092	19,846
288,598	263,919	24,679
107,825	50,443	57,382
<b>4,078,773</b>	<b>3,757,221</b>	<b>321,552</b>
<b>(262,146)</b>	<b>115,441</b>	<b>377,587</b>
14,500	12,000	(2,500)
200	150	(50)
5,000	5,434	434
	6,040	6,040
38,708	4,310	(34,398)
(13,960)	(12,000)	1,960
(6,040)	(6,040)	
(20,195)		20,195
<b>18,213</b>	<b>9,894</b>	<b>(8,319)</b>
(243,933)	125,335	369,268
782,546	782,546	
118,591	118,591	
<b>\$657,204</b>	<b>\$1,026,472</b>	<b>\$369,268</b>

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Revenues, Expenses and  
Changes in Retained Earnings/Fund Balance  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>	
<b>Operating Revenues:</b>			
Sales	\$153,182		\$153,182
Interest		\$12	12
<b>Total Operating Revenues</b>	<b>153,182</b>	<b>12</b>	<b>153,194</b>
<b>Operating Expenses</b>			
Salaries	77,917		77,917
Fringe Benefits	17,667		17,667
Purchased Services	2,572		2,572
Materials and Supplies	111,541		111,541
Depreciation	369		369
Other	563		563
<b>Total Operating Expenses</b>	<b>210,629</b>		<b>210,629</b>
Operating Income (Loss)	(57,447)	12	(57,435)
<b>Non-Operating Revenues and Expenses</b>			
Federal Donated Commodities	11,761		11,761
Interest	1,418		1,418
Federal and State Subsidies	32,675		32,675
<b>Total Non-Operating Revenues and Expenses</b>	<b>45,854</b>		<b>45,854</b>
Net Income (Loss)	(11,593)	12	(11,581)
Retained Earnings/Fund Balances at Beginning of Year	57,510	1,334	58,844
<b>Retained Earnings/Fund Balances at End of Year</b>	<b>\$45,917</b>	<b>\$1,346</b>	<b>\$47,263</b>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Cash Flows  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Sales	\$148,269		\$148,269
Cash Payments to Suppliers for Goods and Service	(97,350)		(97,350)
Cash Payments for Contract Services	(2,572)		(2,572)
Cash Payments for Employee Services	(76,934)		(76,934)
Cash Payments for Employee Benefits	(16,219)		(16,219)
Other Cash Payments	(563)		(563)
Net Cash Used by Operating Activities	<u>(45,369)</u>		<u>(45,369)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	<u>32,675</u>		<u>32,675</u>
Net Cash Provided by Noncapital Financing Activities	<u>32,675</u>		<u>32,675</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	<u>1,418</u>	<u>\$12</u>	<u>1,430</u>
Net Cash Provided by Investing Activities	<u>1,418</u>	<u>12</u>	<u>1,430</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	<u>(2,414)</u>		<u>(2,414)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,414)</u>		<u>(2,414)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,690)	12	(13,678)
Cash and Cash Equivalents at Beginning of Year	<u>57,007</u>	<u>1,334</u>	<u>58,341</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u><u>\$43,317</u></u></b>	<b><u><u>\$1,346</u></u></b>	<b><u><u>\$44,663</u></u></b>

(Continued)

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Cash Flows  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2002  
(Continued)**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	(\$57,447)	\$12	(\$57,435)
<b>Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	369		369
Donated Commodities Used During the Year	11,761		11,761
Adjustments to Capital Outlay	2,414		2,414
Nonexpendable Trust Interest		(12)	(12)
(Increase) Decrease in Assets:			
Accounts Receivable	(4,913)		(4,913)
Material and Supplies Inventory	(1,204)		(1,204)
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	3,458		3,458
Intergovernmental Payable	2,350		2,350
Deferred Revenue	1,255		1,255
Accrued Wages and Benefits	(3,377)		(3,377)
Accounts Payable	(35)		(35)
	12,078	(12)	12,066
<b>Net Cash Used by Operating Activities</b>	<b>(\$45,369)</b>	<b></b>	<b>(\$45,369)</b>

**Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:**

Cash and Cash Equivalents - Trust and Agency Funds	\$235,182
Less: Agency Funds	(54,935)
Less: Expendable Trust Funds	(178,901)
<b>Cash and Cash Equivalents - Nonexpendable Trust Funds</b>	<b>\$1,346</b>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2002**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Pettisville Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Pettisville Local School District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The 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 School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 25 non-certified and 44 certificated full time teaching personnel who provide services to 565 students and other community members.

**The Reporting Entity**

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

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

The District is associated with organizations, which are defined as jointly governed organizations, a related organization, and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, the Ohio School Plan and the Pettisville School Foundation. These organizations are presented in Notes 13, 14, and 15 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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June 30, 2002  
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statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2002  
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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 the governmental funds.

**B. Fund Accounting**

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

**1. Governmental Fund Types**

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

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

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

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

**2. Proprietary Fund Types**

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**C. Budgetary Accounting**

Budgets are adopted on a cash basis.

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

The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation



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measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.

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

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

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

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust fund for the year ended June 30, 2002 follows:

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	\$14,834	(\$10,601)	\$123,214	(\$2,112)
Revenue Accruals	(116,542)	2,684	207	
Expenditure Accruals	(19,976)	3,293	354	(1,499)
Other Sources/(Uses)	6,040	(6,040)		
Encumbrances	31,651	14,041		3,810
GAAP Basis	(\$83,993)	\$3,377	\$123,775	\$199

**D. Encumbrances**

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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**E. Pooled Cash**

Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general and food service funds during fiscal year 2002 amounted to \$26,907.

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

**F. Inventory**

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

**G. Property, Plant, and Equipment**

**1. General Fixed Assets Account Group**

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

**2. Proprietary Funds**

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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**H. Intergovernmental Revenues**

For governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

**Entitlements**

General Fund

State Foundation Program  
School Bus Purchase Reimbursement

**Non-Reimbursable Grants**

Special Revenue Funds

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

Capital Projects Fund

SchoolNet  
Tech Equity

**Reimbursable Grants**

General Fund

Driver Education Reimbursement

Enterprise Fund

National School Lunch Program  
Government Donated Commodities

**I. Interfund Transactions**

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund receivables and interfund payables.

**J. Total Columns on Financial Statements**

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

**K. Cash Flows**

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

**L. Compensated Absences**

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

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

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

**M. Long-Term Obligations**

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**N. Fund Balance Reserves**

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

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

**O. Estimates**

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

**3. EQUITY IN POOLED CASH**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation,

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Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits:** At year-end, the carrying amount of the School District's deposits was \$1,175,570 and the bank balance was \$1,226,913. Of the bank balance:

1. \$206,570 was covered by federal depository insurance; and
2. \$1,020,343 was collateralized by securities specifically pledged by the financial institution to the District.

**4. PROPERTY TAXES**

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

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

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

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

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

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**Notes to the General-Purpose Financial Statements  
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Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	April 1 of the year preceding the collection year

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

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

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

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

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2002. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2002.

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

	<u>Amount</u>
Residential/Agricultural	\$26,895,880
Commercial/Industrial	3,341,480
Public Utility Real Property	32,680
Public Utility Personal Property	3,664,880
General Personal Property	<u>4,445,860</u>
Total valuation	<u><u>\$38,380,780</u></u>

**5. FIXED ASSETS**

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

<u>Asset Category</u>	<u>Balance at 6/30/2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/2002</u>
Land and land improvements	\$402,481	\$13,958		\$416,439
Buildings	3,908,008	80,502		3,988,510
Furniture, fixtures and equipment	1,104,565	74,166	\$137,653	1,041,078
Vehicles	447,614	61,125	28,120	480,619
Infrastructure	2,863			2,863
Text and Library Books	155,164	22,003		177,167
Totals	<u>\$6,020,695</u>	<u>\$251,754</u>	<u>\$165,773</u>	<u>\$6,106,676</u>

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A summary of Enterprise Fund fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$53,050
Less: Accumulated Depreciation	<u>(35,077)</u>
Net Fixed Assets	<u><u>\$17,973</u></u>

**6. OPERATING LEASE**

The School District is obligated under certain leases accounted for as operating leases. During 1999, the District entered into an agreement to lease recreational facilities. During 2002, the School District had expenditures of \$421 for this operating lease. The following schedule is of future minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30:	Amount
2003	\$406
2004	391
2005	377
2006	362
2007	348
2008 – 2012	<u>1,383</u>
Total Minimum Lease Payment	<u><u>\$3,267</u></u>

**7. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2002, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 7/1/2001	Additions	Deductions	Balance at 6/30/2002
Special Waterline Assessment	\$14,312		\$1,244	\$13,068
SERS and SERS Surcharge	27,829	\$764		28,593
Employee Benefit Obligations	240,520	50,306		290,826
Total Long-Term Obligations	<u>\$282,661</u>	<u>\$51,070</u>	<u>\$1,244</u>	<u>\$332,487</u>

The Special Waterline Assessment Loan at June 30, 2002 totaling \$13,068 with current interest rate of 5.40% will mature in 2013.

Total expenditures for interest for the period ended June 30, 2002 was \$756.

The scheduled payments of principal and interest on debt outstanding at June 30, 2002 are as follows:



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<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$1,244	\$689	\$1,933
2004	1,244	622	1,866
2005	1,244	555	1,799
2006	1,244	488	1,732
2007	1,244	420	1,664
2008 – 2013	6,848	1,153	8,001
Total	<u>\$13,068</u>	<u>\$3,927</u>	<u>\$16,995</u>

**8. COMPENSATED ABSENCES**

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

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

At June 30, 2002, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Groups were \$19,065 and \$290,826, respectively. The liability for compensated absences in the proprietary fund at June 30, 2002 was \$8,176.

**9. PENSION AND RETIREMENT PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll, 5.46% is the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$35,155, \$22,594, and \$25,979, respectively; 53 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$42,412 representing the unpaid

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent, 9.5% was the portion used to fund pension obligations for the fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$196,254, \$184,820, and \$111,202 respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$44,628 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

**10. POSTEMPLOYMENT BENEFITS**

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

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

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

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

For the District, the amount to fund postemployment benefits, including the surcharge, equaled \$61,633 during the 2002 fiscal year.

**11. RISK MANAGEMENT**

**A. Comprehensive**

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

Coverage provided by Ohio School Plan	
General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Coverage provided by Nationwide Insurance	
Blanket Property Insurance (\$1,000 deductible)	10,360,400
Auto Coverage	
Liability	3,000,000
Auto Medical Payment	

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
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participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Worker's Compensation Group Program**

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

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

**12. ENTERPRISE FUNDS SEGMENT INFORMATION**

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2002 was as follows:

	Lunchroom Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating revenues	\$143,740	\$9,442	\$153,182
Depreciation	369		369
Operating income (loss)	(57,874)	427	(57,447)
Donated commodities	11,761		11,761
Grants	32,675		32,675
Interest	1,418		1,418
Net income (loss)	(12,020)	427	(11,593)
Net working capital	26,874	1,070	27,944
Total assets	68,806	1,285	70,091
Total liabilities	23,959	215	24,174
Total equity	44,847	1,070	45,917

**13. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

District to NWOCA during this fiscal year were \$22,044. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

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

**14. RELATED ORGANIZATION**

**Pettisville School Foundation**

The Pettisville School Foundation consists of a nine member Board of Trustees. Two of the trustees are appointed by the Pettisville Board of Education and the other seven member elected positions by the membership. The Foundation supports the School District and community in various projects such as scholarship programs, the attendance incentive program, and fund raising for school facilities. Decisions to disburse money to the School District are discretionary decisions made solely by the Board of Trustees of the Foundation. Financial information can be obtained from the Pettisville School Foundation, PO Box 111, Pettisville, Ohio 43553.

**15. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$142,743. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

**B. NBEC Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$414 to the WCGRP to cover the costs of administering the program.

**C. Ohio School Plan**

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**16. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information identifies the changes in fund balance reserve for textbooks, capital improvements, and budget stabilization, which was eliminated by S. B. 345 during the fiscal year 2002.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Balance as of June 30, 2001	(\$30,450)		\$38,626
Current Year Set-aside Requirement	68,205	\$68,205	
Budget Stabilization Spent on Bus Purchase			(38,626)
Qualifying Disbursements	<u>(82,738)</u>	<u>(68,205)</u>	
Total	<u>(\$44,983)</u>		
Balance Carried Forward to FY 2003	<u>(\$44,983)</u>		

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2002  
(Continued)**

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. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**17. SCHOOL FUNDING DECISION**

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

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

**18. INTERFUND ASSETS/LIABILITIES**

At June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type / Fund	Interfund Receivable	Interfund Payable
General Fund	\$6,040	
Special Revenue Funds:		
Girls' Basketball		\$40
5th Quarter Pilot Grant		6,000
	\$6,040	\$6,040

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the financial statements of Pettisville Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 10, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 10, 2003.

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

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

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

**Jim Petro**  
Auditor of State

January 10, 2003



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**PETTISVILLE LOCAL SCHOOL DISTRICT**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**