



**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Pettisville Local School District
Fulton County
232 Summit Street
P.O. Box 1
Pettisville, Ohio 43553-0001

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Pettisville Local School District, Fulton County, (the District) as of and for the year ended June 30, 2000, 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 generally accepted auditing standards 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 Pettisville Local School District, Fulton County, as of June 30, 2000, 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 generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2000 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.

Jim Petro
Auditor of State

November 21, 2000

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**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$411,913	\$99,620	\$61,928
Cash and Cash Equivalents:			
With Fiscal Agents		809	
Receivables:			
Taxes	1,115,824		48,377
Accounts	44,504		
Materials and Supplies Inventory	6,665		
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	33,962		
Fixed Assets			
Accumulated Depreciation			
Other Debits:			
Provided from General Government Resources			
Total Assets and Other Debits	\$1,612,868	\$100,429	\$110,305
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$3,218	\$549	
Accrued Wages and Benefits	318,638	7,626	
Compensated Absences Payable	7,345		
Intergovernmental Payable	47,076	840	
Deferred Revenue	1,031,982		\$44,812
Due to Students			
Special Waterline Assessment Payable			
Energy Conservation Loan Payable			
Total Liabilities	1,408,259	9,015	44,812
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved:			
Reserved for Encumbrances	40,216	33,437	798
Reserved for Endowments			
Reserved for Inventory	6,665		
Reserved for Property Taxes	83,842		3,565
Reserved for Budget Stabilization	33,962		
Unreserved:			
Unreserved, Undesignated	39,924	57,977	61,130
Total Fund Equity and Other Credits	204,609	91,414	65,493
Total Liabilities, Fund Equity and Other Credits	\$1,612,868	\$100,429	\$110,305

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$54,762	\$217,707			\$845,930
				809
				1,164,201
288				44,792
2,447				9,112
				33,962
53,648		\$5,866,535		5,920,183
(34,852)				(34,852)
			\$282,005	282,005
\$76,293	\$217,707	\$5,866,535	\$282,005	\$8,266,142
\$299	\$231			\$4,297
6,332				332,596
3,919			\$241,114	252,378
6,448			21,407	75,771
1,109				1,077,903
	47,283			47,283
			15,556	15,556
			3,928	3,928
18,107	47,514		282,005	1,809,712
		\$5,866,535		5,866,535
58,186				58,186
				74,451
	500			500
				6,665
				87,407
				33,962
	169,693			328,724
58,186	170,193	5,866,535		6,456,430
\$76,293	\$217,707	\$5,866,535	\$282,005	\$8,266,142

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$1,488,058	\$93,557
Interest	32,177	
Tuition and Fees	406,425	
Rent	350	
Extracurricular Activities		93,520
Gifts and Donations	7,093	9,105
Customer Services	41,440	
Property and Other Local Taxes	1,087,305	
Miscellaneous	1,832	
	3,064,680	196,182
Expenditures:		
Instruction:		
Regular	1,344,308	32,581
Special	172,972	45,042
Vocational	144,184	
Support services:		
Pupils	160,800	15,144
Instructional Staff	84,798	20,162
Board of Education	7,439	
Administration	265,081	14,178
Fiscal	106,165	
Business	806	
Operation and Maintenance of Plant	303,987	
Pupil Transportation	131,671	153
Central	33,811	
Extracurricular activities	115,025	82,478
Capital Outlay	42,222	
Debt Service		
Debt Service - Principal	8,896	
Debt Service - Interest	1,265	
	2,923,430	209,738
Excess of Revenues Over (Under) Expenditures	141,250	(13,556)
Other Financing Sources and Uses		
Operating Transfers In		13,500
Proceeds from Sale of Fixed Assets	3,851	
Refund of Prior Year Expenditures	2,260	3,950
Other Financing Sources	2,433	28,065
Operating Transfers Out	(18,735)	
	(10,191)	45,515
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	131,059	31,959
Fund Balance at Beginning of Year	73,550	59,455
Fund Balance at End of Year	\$204,609	\$91,414

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

<u>Governmental Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$6,478		\$1,588,093
	\$8,134	40,311
		406,425
		350
		93,520
		16,198
49,144		41,440
		1,136,449
		1,832
<u>55,622</u>	<u>8,134</u>	<u>3,324,618</u>
2,695		1,379,584
		218,014
		144,184
22,233		198,177
		104,960
		7,439
997		279,259
		107,162
1,180		806
		305,167
		131,824
		33,811
25,630	6,733	197,503
		74,585
7,624		16,520
403		1,668
<u>60,762</u>	<u>6,733</u>	<u>3,200,663</u>
<u>(5,140)</u>	<u>1,401</u>	<u>123,955</u>
5,235		18,735
		3,851
		6,210
		30,498
		(18,735)
<u>5,235</u>		<u>40,559</u>
95	1,401	164,514
65,398	167,478	365,881
<u>\$65,493</u>	<u>\$168,879</u>	<u>\$530,395</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$1,442,534	\$1,443,554	\$1,020
Interest	30,000	32,177	2,177
Tuition and Fees	403,990	408,968	4,978
Rent	1,500	350	(1,150)
Extracurricular Activities			
Gifts and Donations	3,000	9,526	6,526
Customer Services	42,000	41,440	(560)
Property and Other Local Taxes	1,089,217	1,091,184	1,967
Miscellaneous	10,700	11,713	1,013
Total Revenues	3,022,941	3,038,912	15,971
Expenditures:			
Current:			
Instruction:			
Regular	1,369,138	1,359,039	10,099
Special	173,375	171,910	1,465
Vocational	150,737	145,582	5,155
Support services:			
Pupils	168,350	160,186	8,164
Instructional Staff	97,285	85,574	11,711
Board of Education	9,835	7,440	2,395
Administration	270,040	264,656	5,384
Fiscal	117,785	107,803	9,982
Business	2,050	806	1,244
Operation and Maintenance of Plant	319,057	313,000	6,057
Pupil Transportation	139,965	129,037	10,928
Central	36,075	35,541	534
Extracurricular activities	120,802	115,019	5,783
Capital Outlay	49,700	48,222	1,478
Debt Service			
Debt Service - Principal	7,650	7,626	24
Debt Service - Interest	500	401	99
Total Expenditures	3,032,344	2,951,842	80,502
Excess of Revenues Over (Under) Expenditures	(9,403)	87,070	96,473
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	4,000	3,851	(149)
Refund of Prior Year Expenditures	3,230	3,334	104
Advances In	12,500	12,500	
Other Financing Sources	2,500	2,433	(67)
Operating Transfers Out	(18,926)	(18,735)	191
Advances Out			
Other Financing Uses	(1,135)		1,135
Total Other Financing Sources (Uses)	2,169	3,383	1,214
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,234)	90,453	97,687
Fund Balances at Beginning of Year	305,082	305,082	
Prior Year Encumbrances Appropriated	6,906	6,906	
Fund Balance at End of Year	\$304,754	\$402,441	\$97,687

Special Revenue			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$124,469	\$93,213	(\$31,256)	\$26,943	\$13,481	(\$13,462)
96,375	93,830	(2,545)			
7,000	9,105	2,105			
			46,815	49,357	2,542
<u>227,844</u>	<u>196,148</u>	<u>(31,696)</u>	<u>73,758</u>	<u>62,838</u>	<u>(10,920)</u>
86,614	66,090	20,524	3,493	3,493	
50,592	43,782	6,810			
17,230	15,144	2,086	47,145	22,233	24,912
14,383	14,083	300			
14,285	14,118	167			
			1,000	997	3
153	153		3,169	1,179	1,990
107,171	87,479	19,692			
			84,148	47,065	37,083
			7,800	7,624	176
			450	403	47
<u>290,428</u>	<u>240,849</u>	<u>49,579</u>	<u>147,205</u>	<u>82,994</u>	<u>64,211</u>
<u>(62,584)</u>	<u>(44,701)</u>	<u>17,883</u>	<u>(73,447)</u>	<u>(20,156)</u>	<u>53,291</u>
16,000	13,500	(2,500)	5,235	5,235	
	3,950	3,950			
28,065	28,065				
			(12,500)	(12,500)	
<u>44,065</u>	<u>45,515</u>	<u>1,450</u>	<u>(7,265)</u>	<u>(7,265)</u>	
(18,519)	814	19,333	(80,712)	(27,421)	53,291
57,906	57,906		57,690	57,690	
6,915	6,915		30,862	30,862	
<u>\$46,302</u>	<u>\$65,635</u>	<u>\$19,333</u>	<u>\$7,840</u>	<u>\$61,131</u>	<u>\$53,291</u>

(Continued)

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

	Expendable Trust		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental			
Interest	\$8,000	\$8,134	\$134
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	8,000	8,134	134
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Extracurricular activities			
Capital Outlay	10,000	6,733	3,267
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	10,000	6,733	3,267
Excess of Revenues Over (Under) Expenditures	(2,000)	1,401	3,401
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Other Financing Uses			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,000)	1,401	3,401
Fund Balances at Beginning of Year	167,478	167,478	
Prior Year Encumbrances Appropriated			
Fund Balance at End of Year	\$165,478	\$168,879	\$3,401

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

Totals (Memorandum Only)

Budget	Actual	Variance: Favorable (Unfavorable)
\$1,593,946	\$1,550,248	(\$43,698)
38,000	40,311	2,311
403,990	408,968	4,978
1,500	350	(1,150)
96,375	93,830	(2,545)
10,000	18,631	8,631
42,000	41,440	(560)
1,136,032	1,140,541	4,509
10,700	11,713	1,013
3,332,543	3,306,032	(26,511)
1,459,245	1,428,622	30,623
223,967	215,692	8,275
150,737	145,582	5,155
232,725	197,563	35,162
111,668	99,657	12,011
9,835	7,440	2,395
284,325	278,774	5,551
118,785	108,800	9,985
2,050	806	1,244
322,226	314,179	8,047
140,118	129,190	10,928
36,075	35,541	534
227,973	202,498	25,475
143,848	102,020	41,828
15,450	15,250	200
950	804	146
3,479,977	3,282,418	197,559
(147,434)	23,614	171,048
21,235	18,735	(2,500)
4,000	3,851	(149)
3,230	7,284	4,054
12,500	12,500	
30,565	30,498	(67)
(18,926)	(18,735)	191
(12,500)	(12,500)	
(1,135)		1,135
38,969	41,633	2,664
(108,465)	65,247	173,712
588,156	588,156	
44,683	44,683	
\$524,374	\$698,086	\$173,712

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNING/FUND BALANCE
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$134,788		\$134,788
Interest		\$25	25
Total Operating Revenues	<u>134,788</u>	<u>25</u>	<u>134,813</u>
Operating Expenses			
Salaries	54,183		54,183
Fringe Benefits	14,355		14,355
Purchased Services	1,297		1,297
Materials and Supplies	95,605		95,605
Depreciation	394		394
Other	267		267
Total Operating Expenses	<u>166,101</u>		<u>166,101</u>
Operating Income (Loss)	(31,313)	25	(31,288)
Non-Operating Revenues and Expenses			
Federal Donated Commodities	9,262		9,262
Interest	2,074		2,074
Federal and State Subsidies	28,371		28,371
Total Non-Operating Revenues and Expenses	<u>39,707</u>		<u>39,707</u>
Net Income	8,394	25	8,419
Retained Earnings/Fund Balances at Beginning of Year	<u>49,792</u>	<u>1,289</u>	<u>51,081</u>
Retained Earnings/Fund Balances at End of Year	<u>\$58,186</u>	<u>\$1,314</u>	<u>\$59,500</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF CASH FLOW
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$134,516		\$134,516
Cash Payments to Suppliers for Goods and Service	(88,131)		(88,131)
Cash Payments for Contract Services	(1,296)		(1,296)
Cash Payments for Employee Services	(53,734)		(53,734)
Cash Payments for Employee Benefits	(14,377)		(14,377)
Other Cash Payments	(267)		(267)
Net Cash Used by Operating Activities	<u>(23,289)</u>		<u>(23,289)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	<u>35,000</u>		<u>35,000</u>
Cash Flows from Investing Activities:			
Interest Received	<u>2,074</u>	<u>\$25</u>	<u>2,099</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	<u>(4,272)</u>		<u>(4,272)</u>
Net Increase in Cash and Cash Equivalents	9,513	25	9,538
Cash and Cash Equivalents at Beginning of Year	<u>45,249</u>	<u>1,289</u>	<u>46,538</u>
Cash and Cash Equivalents at End of Year	<u>\$54,762</u>	<u>\$1,314</u>	<u>\$56,076</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$31,313)	\$25	(\$31,288)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	394		394
Donated Commodities Used During the Year	9,262		9,262
Nonexpendable Trust Interest		(25)	(25)
(Increase) Decrease in Assets:			
Accounts Receivable	(272)		(272)
Material and Supplies Inventory	49		49
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	462		462
Intergovernmental Payable	(461)		(461)
Deferred Revenue	105		105
Accrued Wages and Benefits	426		426
Accounts Payable	(1,941)		(1,941)
Total Adjustments	<u>(\$23,289)</u>		<u>(\$23,289)</u>
Net Cash Provided (Used) by Operating Activities			
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2000:			
Cash and Cash Equivalents - Trust and Agency Funds			\$217,707
Less: Agency Funds			(\$47,514)
Less: Expendable Trust Funds			<u>(168,879)</u>
Cash and Cash Equivalents - Nonexpendable Trust Funds			<u>\$1,314</u>

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

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**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

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 § 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 board oversees the operations of the District's instructional/support facilities.

The Reporting Entity

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

- b. Property taxes measurable but not available as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.

- 4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity.

The Proprietary Funds and Nonexpendable Trust Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

B. Fund Accounting

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

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

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

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

Debt Service Fund - The fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

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

2. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Fiduciary Funds

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

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

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

4. Account Groups

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

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

C. Budgetary Accounting

Budgets are adopted on a cash basis.

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

The specific timetable is as follows:

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1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
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 object 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, 2000 follows:

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Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	\$90,453	\$814	(\$27,421)	\$1,401
Revenue Accruals	25,768	34	(7,216)	
Expenditure Accruals	(15,021)	(2,875)	21435	
Other Sources/(Uses)	(13,574)		12,500	
Encumbrances	43,433	33,986	797	
GAAP Basis	\$131,059	\$31,959	\$95	\$1,401

D. Encumbrances

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

E. Pooled Cash

Cash and Investments

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

During fiscal year 2000, investments were limited to repurchase agreements .

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 are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$32,177.

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 original maturities 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
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F. Inventory

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

G. Property, Plant, and Equipment

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

H. Intergovernmental Revenues

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

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(Continued)**

Non-Reimbursable Grants

Special Revenue Funds

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

Capital Projects Fund

SchoolNet
Emergency Building Repair
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:

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.

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(Continued)**

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, and investments with a maturity date of 90 days or less.

L. Compensated Absences

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

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

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

M. Long-term Obligations

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

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(Continued)**

N. Restricted Assets

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

O. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization 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 budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

P. Estimates

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

3. EQUITY IN POOLED CASH

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more

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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, 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 \$839,623 and the bank balance was \$888,246. Of the bank balance:

1. \$134,590 was covered by federal depository insurance; and

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(Continued)**

2. \$753,656 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	Category of Risk	Fair Value
	3	
Repurchase Agreements	\$40,269	\$40,269

Cash With Fiscal Agent: The District had \$809 in cash with fiscal agents by Fulton County Educational Service Center, which is included on the balance sheet as part of "Cash with Fiscal Agent." The Educational Service Center holds this flow through grant money for the School District along with that of other school districts and therefore the School District cannot classify this money by risk under GASB Statement 3.

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:

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

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(Continued)**

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 Auditor periodically remits 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, 2000. 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, 2000.

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

	<u>Amount</u>
Residential/Agricultural	\$26,101,100
Commercial/Industrial	3,316,990
Public Utility Real Property	34,170
Public Utility Personal Property	3,064,440
General Personal Property	<u>4,559,000</u>
Total valuation	<u>\$37,075,700</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 7/1/99</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/00</u>
Land and land improvements	\$ 393,718	\$8,763		\$402,481
Buildings	3,880,598	17,669		3,898,267
Furniture, fixtures and equipment	982,420	37,742		1,020,162
Vehicles	393,807			393,807
Infrastructure	2,863			2,863
Text and Library Books	139,655	9,300		148,955
Totals	<u>\$5,793,061</u>	<u>\$73,474</u>		<u>\$5,866,535</u>

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

A summary of Enterprise Fund fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$53,648
Less: Accumulated Depreciation	<u>(34,852)</u>
Net Fixed Assets	<u><u>\$18,796</u></u>

6. OPERATING LEASE

The School 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 agreements are not reflected in the District's financial statements. During 1999, the District entered into a lease agreement to operate recreational facilities. During 2000 the School District had expenditures of \$223 for operating lease. The following schedule is of future minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30:	Amount
2001	\$435
2002	419
2003	406
2004	391
2005	377
2006-2012	<u>1,760</u>
Total Minimum Lease Payment	<u><u>\$3,788</u></u>

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2000, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 07/01/99	Additions	Deductions	Balance at 06/30/00
Energy Conservation Loan	\$19,204		\$15,276	\$3,928
Special Waterline Assessment	16,800		1,244	15,556
SERS and SERS Surcharge	17,468	\$3,939		21,407
Employee Benefit Obligations	213,312	27,802		241,114
Total Long-Term Obligations	<u>\$266,784</u>	<u>\$31,741</u>	<u>\$16,520</u>	<u>\$282,005</u>

Debt outstanding at June 30, 2000 included an Energy Conservation Loan totaling \$3,928 with an interest rate at June 30, 2000 of 5.75 percent. The loan was issued in 1995 and will mature in 2001.

The Special Waterline Assessment loan at June 30, 2000 totaling \$15,556 with a current interest rate of 5.40% will mature in 2013.

Total expenditures for interest for the period ended June 30, 2000 was \$1,668.

The scheduled payments of principal and interest on debt outstanding at June 30, 2000 are as follows:

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Fiscal Year Ending June 30,	Principal	Interest	Total
2001	\$5,172	\$879	\$6,051
2002	1,244	756	2,000
2003	1,244	689	1,933
2004	1,244	622	1,866
2005	1,244	555	1,799
2006-2013	9,336	2,057	11,393
Total	<u>\$19,484</u>	<u>\$5,558</u>	<u>\$25,042</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 5 to 25 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, 2000, 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 \$7,345 and \$241,114, respectively. The liability for compensated absences in the proprietary fund at June 30, 2000 was \$3,919.

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.

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. 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

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ended June 30, 2000, 1999, and 1998 were \$57,888, \$57,876, and \$56,676, respectively; 55 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$26,044 representing the unpaid contribution for fiscal year 2000 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. 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, 2000, 1999, and 1998 were \$229,248, \$226,451, and \$216,228, respectively; 85 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$34,387 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000 will be 8 percent of covered payroll.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 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.

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, 1999, the allocation rate is 6.30 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 1999, 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, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

For the School District, the amount to fund health care benefits, including the surcharge equaled \$ 42,932 during the 2000 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 insured.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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 are 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, 2000 was as follows:

	Lunchroom/ Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating revenues	\$123,260	\$11,528	\$134,788
Depreciation	394		394
Operating loss	(29,484)	(1,829)	(31,313)
Donated commodities	9,262		9,262
Grants	28,371		28,371
Interest	2,074		2,074
Net income (loss)	10,223	(1,829)	8,394
Net working capital	36,667	2,723	39,390
Total assets	73,570	2,723	76,293
Total liabilities	18,107		18,107
Total equity	55,463	2,723	58,186

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, 2000
(Continued)**

District to NWOCA during this fiscal year were \$13,516. 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 \$2,500. 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 Joint Vocational School, Michele Zeedyk, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

14. RELATED ORGANIZATION

Pettisville School Foundation

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

15. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$115,001. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under 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 \$419 to the WCGRP to cover the costs of administering the program.

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999			\$13,361	
Current Year Set-aside Requirement	65,534	65,534	21,845	
Current Year Offsets			(1,244)	
Qualifying Disbursements	<u>(73,471)</u>	<u>(65,534)</u>		
Total	<u>(\$7,937)</u>	<u> </u>	<u>\$33,962</u>	
Cash Balance Carried Forward to FY 2001			<u>\$33,962</u>	
Amount restricted for Budget Stabilization				<u>\$33,962</u>
Total Restricted Assets				<u>\$33,962</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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 March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,323,126 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "major areas warrant further attention, study, and development by the General Assembly," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**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 1
Pettisville, Ohio 43553-0001

To the Board of Education:

We have audited the financial statements of Pettisville Local School District, Fulton County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated November 21, 2000

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

Jim Petro
Auditor of State

November 21, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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
DECEMBER 14, 2000**