



**Auditor of State
Betty Montgomery**

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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 the Pettisville Local School District, Fulton County, Ohio, (the District) as of and for the year ended June 30, 2003, 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 Pettisville Local School District, Fulton County, Ohio as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2005, 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and you should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 22, 2005

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**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 558,828	\$ 82,948	\$ 163,539
Receivables:			
Taxes	1,120,784		118,140
Accounts	15,532		
Intergovernmental		51,055	
Interfund Receivable	11,350		
Materials and Supplies Inventory			
Fixed Assets			
Accumulated Depreciation			
Other Debits:			
Amount to be Provided From General			
Government Resources			
Total Assets and Other Debits	\$ 1,706,494	\$ 134,003	\$ 281,679
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$1,390	\$ 1,208	\$ 14,783
Accrued Wages and Benefits	402,226	11,963	
Compensated Absences Payable	3,496		
Interfund Payable		10,500	
Intergovernmental Payable	49,898	1,270	
Deferred Revenue	990,503	48,098	105,285
Due to Students			
Notes Payable			
Total Liabilities	1,447,513	73,039	120,068
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved:			
Reserved for Encumbrances	7,159	13,613	34,506
Reserved for Contributions			
Reserved for Property Taxes	88,649		9,774
Unreserved:			
Unreserved, Undesignated	163,173	47,351	117,331
Total Fund Equity and Other Credits	258,981	60,964	161,611
Total Liabilities, Fund Equity and Other Credits	\$1,706,494	\$ 134,003	\$ 281,679

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			
\$ 25,401	\$ 256,471			\$ 1,087,187
				1,238,924
747	107			16,386
3,906				54,961
				11,350
4,682				4,682
51,613		\$ 6,374,007		6,425,620
(29,394)				(29,394)
			\$ 363,021	363,021
\$ 56,955	\$ 256,578	\$ 6,374,007	\$ 363,021	\$ 9,172,737
	\$ 511			\$ 17,892
\$ 3,943				418,132
5,838			\$ 319,379	328,713
850				11,350
9,875			31,818	92,861
				1,143,886
	76,833			76,833
			11,824	11,824
20,506	77,344		363,021	2,101,491
		\$ 6,374,007		6,374,007
36,449				36,449
				55,278
	500			500
				98,423
	178,734			506,589
36,449	179,234	6,374,007		7,071,246
\$ 56,955	\$ 256,578	\$ 6,374,007	\$ 363,021	\$ 9,172,737

**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, 2003

	Governmental Fund Type
	General
Revenues:	
Intergovernmental	\$ 1,933,763
Interest	13,509
Tuition and Fees	441,402
Rent	530
Extracurricular Activities	
Gifts and Donations	2,358
Customer Services	
Property and Other Local Taxes	1,084,879
Miscellaneous	18,546
Total Revenues	3,494,987
Expenditures:	
Instruction:	
Regular	1,672,098
Special	195,647
Vocational	159,355
Support services:	
Pupils	106,796
Instructional Staff	108,209
Board of Education	9,986
Administration	349,921
Fiscal	131,406
Business	914
Operation and Maintenance of Plant	369,751
Pupil Transportation	148,027
Central	45,902
Extracurricular activities	168,635
Capital Outlay	12,216
Total Expenditures	3,478,863
Excess of Revenues Over (Under) Expenditures	16,124
Other Financing Sources and Uses	
Operating Transfers In	
Proceeds from Sale of Fixed Assets	660
Refund of Prior Year Expenditures	4,380
Other Financing Sources	
Operating Transfers Out	(11,500)
Refund of Prior Year Receipts	
Total Other Financing Sources (Uses)	(6,460)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	9,664
Fund Balance at Beginning of Year	249,317
Fund Balance at End of Year	\$ 258,981

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	
\$ 149,505	\$ 100,379	\$ 3,144	\$ 2,183,647
			16,653
			441,402
			530
105,178			105,178
17,417			19,775
680			680
	115,193		1,200,072
			18,546
<u>272,780</u>	<u>215,572</u>	<u>3,144</u>	<u>3,986,483</u>
28,083	51,069		1,751,250
77,600			273,247
6,070			165,425
23,376	1,796		131,968
16,677		2,324	127,210
			9,986
20,515			370,436
7	2,358		133,771
			914
5,524	25,857		401,132
			148,027
7,000			52,902
115,493		338	284,466
	234,571		246,787
<u>300,345</u>	<u>315,651</u>	<u>2,662</u>	<u>4,097,521</u>
<u>(27,565)</u>	<u>(100,079)</u>	<u>482</u>	<u>(111,038)</u>
11,500			11,500
			660
7,087			11,467
680			680
			(11,500)
(1,810)			(1,810)
<u>17,457</u>	<u></u>	<u></u>	<u>10,997</u>
(10,108)	(100,079)	482	(100,041)
71,072	261,690	177,402	759,481
<u>\$ 60,964</u>	<u>\$ 161,611</u>	<u>\$ 177,884</u>	<u>\$ 659,440</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) COMPARISON
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 1,933,763	\$ 1,933,763	
Interest	12,997	13,509	\$ 512
Tuition and Fees	441,388	441,402	14
Rent	530	530	
Extracurricular Activities			
Gifts and Donations	2,360	2,358	(2)
Customer Services			
Property and Other Local Taxes	1,092,659	1,092,659	
Miscellaneous	2,939	3,085	146
Total Revenues	<u>3,486,636</u>	<u>3,487,306</u>	<u>670</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,819,763	1,667,523	152,240
Special	201,925	194,197	7,728
Vocational	174,511	158,747	15,764
Support services:			
Pupils	141,653	117,875	23,778
Instructional Staff	121,918	106,257	15,661
Board of Education	16,376	10,581	5,795
Administration	350,345	346,341	4,004
Fiscal	137,045	131,569	5,476
Business	1,525	1,109	416
Operation and Maintenance of Plant	379,098	365,658	13,440
Pupil Transportation	184,683	155,920	28,763
Central	83,750	47,026	36,724
Extracurricular activities	193,901	173,204	20,697
Capital Outlay	37,000	16,382	20,618
Total Expenditures	<u>3,843,493</u>	<u>3,492,389</u>	<u>351,104</u>
Excess of Revenues Over (Under) Expenditures	<u>(356,857)</u>	<u>(5,083)</u>	<u>351,774</u>
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	660	660	
Refund of Prior Year Expenditures	4,380	4,380	
Advances In	6,040	6,040	
Other Financing Sources			
Refund of Prior Year Receipts			
Operating Transfers Out	(15,000)	(11,500)	3,500
Advances Out	(11,350)	(11,350)	
Other Financing Uses	(29,200)		29,200
Total Other Financing Sources (Uses)	<u>(44,470)</u>	<u>(11,770)</u>	<u>32,700</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(401,327)</u>	<u>(16,853)</u>	<u>384,474</u>
Fund Balances at Beginning of Year	535,508	535,508	
Prior Year Encumbrances Appropriated	31,652	31,652	
Fund Balance at End of Year	<u><u>\$ 165,833</u></u>	<u><u>\$ 550,307</u></u>	<u><u>\$ 384,474</u></u>

Special Revenue			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 202,842	\$ 151,648	\$ (51,194)	\$ 114,684	\$ 100,379	\$ (14,305)
104,504	105,780	1,276			
17,418	17,417	(1)			
680	680				
			116,169	116,169	
<u>325,444</u>	<u>275,525</u>	<u>(49,919)</u>	<u>230,853</u>	<u>216,548</u>	<u>(14,305)</u>
40,994	40,970	24	55,000	51,469	3,531
84,580	75,290	9,290			
6,070	6,070				
23,376	23,376		2,300	1,796	504
26,319	17,174	9,145			
19,575	19,411	164			
7	7		2,750	2,358	392
5,639	5,639		28,883	27,057	1,826
17,319	7,000	10,319			
165,356	116,337	49,019			
			268,117	267,477	640
<u>389,235</u>	<u>311,274</u>	<u>77,961</u>	<u>357,050</u>	<u>350,157</u>	<u>6,893</u>
<u>(63,791)</u>	<u>(35,749)</u>	<u>28,042</u>	<u>(126,197)</u>	<u>(133,609)</u>	<u>(7,412)</u>
11,500	11,500		12,367		(12,367)
7,079	7,087	8			
10,500	10,500				
680	680				
(1,811)	(1,811)				
(6,040)	(6,040)				
<u>21,908</u>	<u>21,916</u>	<u>8</u>	<u>12,367</u>		<u>(12,367)</u>
(41,883)	(13,833)	28,050	(113,830)	(133,609)	(19,779)
68,013	68,013		247,860	247,860	
14,040	14,040				
<u>\$ 40,170</u>	<u>\$ 68,220</u>	<u>\$ 28,050</u>	<u>\$ 134,030</u>	<u>\$ 114,251</u>	<u>\$ (19,779)</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) COMPARISON
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)

	Expensible Trust		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental			
Interest	\$ 3,145	\$ 3,144	\$ (1)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	<u>3,145</u>	<u>3,144</u>	<u>(1)</u>
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Support services:			
Pupils	2,500		2,500
Instructional Staff	5,325	2,324	3,001
Board of Education			
Administration			
Fiscal			
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Extracurricular activities	3,986	1,837	2,149
Capital Outlay	2,000		2,000
Total Expenditures	<u>13,811</u>	<u>4,161</u>	<u>9,650</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,666)</u>	<u>(1,017)</u>	<u>9,649</u>
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Refund of Prior Year Receipts			
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	(10,666)	(1,017)	9,649
Fund Balances at Beginning of Year	175,091	175,091	
Prior Year Encumbrances Appropriated	3,810	3,810	
Fund Balance at End of Year	<u><u>\$ 168,235</u></u>	<u><u>\$ 177,884</u></u>	<u><u>\$ 9,649</u></u>

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Totals (Memorandum Only)

Budget	Actual	Variance: Favorable (Unfavorable)
\$ 2,251,289	\$ 2,185,790	\$ (65,499)
16,142	16,653	511
441,388	441,402	14
530	530	
104,504	105,780	1,276
19,778	19,775	(3)
680	680	
1,208,828	1,208,828	
2,939	3,085	146
<u>4,046,078</u>	<u>3,982,523</u>	<u>(63,555)</u>
1,915,757	1,759,962	155,795
286,505	269,487	17,018
180,581	164,817	15,764
169,829	143,047	26,782
153,562	125,755	27,807
16,376	10,581	5,795
369,920	365,752	4,168
139,802	133,934	5,868
1,525	1,109	416
413,620	398,354	15,266
184,683	155,920	28,763
101,069	54,026	47,043
363,243	291,378	71,865
307,117	283,859	23,258
<u>4,603,589</u>	<u>4,157,981</u>	<u>445,608</u>
<u>(557,511)</u>	<u>(175,458)</u>	<u>382,053</u>
23,867	11,500	(12,367)
660	660	
11,459	11,467	8
16,540	16,540	
680	680	
(1,811)	(1,811)	
(15,000)	(11,500)	3,500
(17,390)	(17,390)	
<u>(29,200)</u>		<u>29,200</u>
<u>(10,195)</u>	<u>10,146</u>	<u>20,341</u>
(567,706)	(165,312)	402,394
1,026,472	1,026,472	
49,502	49,502	
<u>\$ 508,268</u>	<u>\$ 910,662</u>	<u>\$ 402,394</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS/FUND BALANCE
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Tuition	\$ 668		\$ 668
Sales	140,834		\$140,834
Interest		\$ 4	4
Total Operating Revenues	<u>141,502</u>	<u>4</u>	<u>141,506</u>
Operating Expenses			
Salaries	84,531		84,531
Fringe Benefits	17,545		17,545
Purchased Services	2,397		2,397
Materials and Supplies	100,336		100,336
Depreciation	101		101
Other	263		263
Total Operating Expenses	<u>205,173</u>		<u>205,173</u>
Operating Income (Loss)	<u>(63,671)</u>	<u>4</u>	<u>(63,667)</u>
Non-Operating Revenues and Expenses			
Federal Donated Commodities	14,158		14,158
Interest	667		667
Federal and State Subsidies	40,021		40,021
Loss on Sale of Fixed Assets	(643)		(643)
Total Non-Operating Revenues and Expenses	<u>54,203</u>		<u>54,203</u>
Net Income (Loss)	(9,468)	4	(9,464)
Retained Earnings/Fund Balances at Beginning of Year	45,917	1,346	47,263
Retained Earnings/Fund Balances at End of Year	<u>\$ 36,449</u>	<u>\$ 1,350</u>	<u>\$ 37,799</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 TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Increase/(Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	145,668		145,668
Cash Payments to Suppliers for Goods and Service	(92,805)		(92,805)
Cash Payments for Contract Services	(2,397)		(2,397)
Cash Payments for Employee Services	(86,869)		(86,869)
Cash Payments for Employee Benefits	(17,421)		(17,421)
Other Cash Payments	(263)		(263)
Net Cash Provided (Used) by Operating Activities	<u>(54,087)</u>		<u>(54,087)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	36,115		36,115
Advances In	850		850
Net Cash Provided by Noncapital Financing Activities	<u>36,965</u>		<u>36,965</u>
Cash Flows from Investing Activities:			
Interest Received	667	4	671
Net Cash Provided by Investing Activities	<u>667</u>	<u>4</u>	<u>671</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(1,461)		(1,461)
Net Cash Used by Capital and Related Financing Activities	<u>(1,461)</u>		<u>(1,461)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(17,916)	4	(17,912)
Cash and Cash Equivalents at Beginning of Year	43,317	1,346	44,663
Cash and Cash Equivalents at End of Year	<u>\$ 25,401</u>	<u>\$ 1,350</u>	<u>\$ 26,751</u>

(Continued)

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

COMBINED STATEMENT OF CASH FLOW
 PROPRIETARY AND SIMILAR FIDUCIARY TRUST FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2003
 (Continued)

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (63,671)	\$ 4	\$ (63,667)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	101		101
Donated Commodities Used During the Year	14,158		14,158
Adjustments to Capital Outlay	(3,529)		(3,529)
Nonexpendable Trust Interest		(4)	(4)
(Increase) Decrease in Assets:			
Accounts Receivable	4,166		4,166
Material and Supplies Inventory	(794)		(794)
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	(2,338)		(2,338)
Intergovernmental Payable	61		61
Deferred Revenue	(2,089)		(2,089)
Accrued Wages and Benefits	63		63
Accounts Payable	(215)		(215)
Total Adjustments	9,584	(4)	9,580
Net Cash Provided (Used) by Operating Activities	\$ (54,087)		\$ (54,087)

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2003:

Cash and Cash Equivalents - Trust and Agency Funds	\$ 256,471
Less: Agency Funds	(77,237)
Less: Expendable Trust Funds	(177,884)
Cash and Cash Equivalents - Nonexpendable Trust Funds	\$ 1,350

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, 2003

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 a locally-elected five-member Board form of government and provides educational service as mandated by state and/or federal agencies. This Board of Education controls the District's one instructional/support facility staffed by 26 non-certified and 44 certificated full time teaching personnel who provide services to 556 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. On this basis, there were no organizations subject to the District's oversight responsibility, which requires 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, 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

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current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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, 2003, but which were levied to finance fiscal year 2004 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

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expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

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).

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 are the School District's proprietary fund types:

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.

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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.

ACCOUNT GROUP

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 - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary funds and Trust funds.

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.

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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 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, 2003 follows:

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	\$ (16,853)	\$ (13,833)	\$ (133,609)	\$ (1,017)
Revenue Accruals	7,681	(2,744)	(976)	
Expenditure Accruals	5,007	(3,800)	(14,783)	1,499
Other Sources/(Uses)	5,310	(4,460)		
Encumbrances	8,519	14,729	49,289	
GAAP Basis	\$ 9,664	\$ (10,108)	\$ (100,079)	\$ 482

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.

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E. Pooled Cash and Cash Equivalents

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 2003, investments were limited to nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general and food service funds during fiscal year 2003 amounted to \$14,176.

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

Cost is determined on a first-in, first-out basis. The cost has been recorded as expenditure at the time individual inventory items were purchased. 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

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.

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.

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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

Non-Reimbursable Grants

Special Revenue Funds

Management Information Systems
Onenet
SchoolNet Professional Development
Ohio Reads Grant
Safe School Help
5th Quarter Pilot Grant
Entry Year Teacher Grant
Eisenhower Professional Development
Title VI-B Flow Through Grant
Idea Part B
Title III
Title I
Title VI
Drug Free Grants
Preschool Disability
Telecomm
Title VI R
Improving Teacher Quality
Reap Grant
Title II D Grant

Reimbursable Grants

General Fund

Driver Education Reimbursement

Enterprise Fund

National School Lunch Program
Government Donated Commodities

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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.

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. 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.

L. 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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M. 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 contributions.

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.

N. 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).
 7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
 8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 \$1,087,187 and the bank balance was \$1,107,719. Of the bank balance:

1. \$137,095 was covered by federal depository insurance; and
2. \$970,624 was collateralized by securities specifically pledged by the financial institution to the District.

4. PROPERTY TAXES

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

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

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

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

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

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

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

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

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

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

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2003. 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, 2003.

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

	<u>Amount</u>
Residential/Agricultural	\$ 31,425,660
Commercial/Industrial	3,863,020
Public Utility Real Property	28,670
Public Utility Personal Property	3,407,110
General Personal Property	<u>2,999,570</u>
Total valuation	<u><u>\$ 41,724,030</u></u>

5. FIXED ASSETS

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

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Asset Category	Balance at 06/30/02	Additions	Disposals	Balance at 06/30/03
Land and land improvements	\$ 416,439	\$ 9,095		\$ 425,534
Buildings	3,988,510	201,687		4,190,197
Furniture, fixtures and equipment	1,041,078	49,911		1,090,989
Vehicles	480,619			480,619
Infrastructure	2,863			2,863
Text and Library Books	177,167	6,638		183,805
Totals	\$ 6,106,676	\$ 267,331		\$ 6,374,007

A summary of Enterprise Fund fixed assets at June 30, 2003 follows:

Furniture and Equipment	\$ 51,613
Less: Accumulated Depreciation	(29,394)
Net Fixed Assets	\$ 22,219

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 agreement are not reflected in the District's financial statements. During 1999, the District entered into a lease agreement to operate recreational facilities. During 2003, the School District had expenditures of \$406 for operating lease. The following schedule is of future minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30:	Amount
2004	\$ 391
2005	377
2006	362
2007	348
2008	333
2009-2012	1,050
Total Minimum Lease Payment	\$ 2,861

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 07/01/02	Additions	Deductions	Balance at 06/30/03
Special Waterline Assessment	\$ 13,068		\$ 1,244	\$ 11,824
SERS and SERS Surcharge	28,593	3,225		31,818
Employee Benefit Obligations	290,826	28,553		319,379
Total Long-Term Obligations	\$ 332,487	\$ 31,778	\$ 1,244	\$ 363,021

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The Special Waterline Assessment Loan at June 30, 2003 totaling \$11,824 with current interest rate of 5.40 percent will mature in 2013.

Total expenditures for interest for the period ended June 30, 2003 was \$689.

The scheduled payments of principal and interest on debt outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,244	361	1,605
2009-2013	5,604	792	6,396
Total	<u>\$ 11,824</u>	<u>\$ 3,238</u>	<u>\$ 15,062</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, 2003, the current amount of unpaid compensated absences in the general fund and the balance of the liability in the General Long-Term Obligation Account Groups were \$3,496 and \$319,379, respectively. The liability for compensated absences in the proprietary fund at June 30, 2003 was \$5,838.

9. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

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

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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, 8.17 percent is the portion used to fund pension obligations for fiscal year 2003. 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, 2003, 2002, and 2001 were \$56,240, \$35,155, and \$22,594, respectively; 55 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$42,912 representing the unpaid contribution for fiscal year 2003 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, 13 percent was the portion used to fund pension obligations for fiscal year 2003. 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, 2003, 2002, and 2001 were \$270,858, \$196,254, and \$184,820 respectively; 86 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$39,464 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

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

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio 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 Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2003, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$2.8 billion on June 30, 2003.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000. There were 108,294 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, 2003, the allocation rate is 5.83 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 2003, the minimum pay has been established as \$14,500. 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, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits were \$303.6 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 \$49,579 during the 2003 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.

Coverage provided by the Ohio School Plan	
General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Coverage provided by Selective (Marsh, USA)	
Blanket Property Insurance (\$1,000 deductible)	11,458,701
Auto Coverage	
Liability	2,000,000
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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

B. Employee Insurance Benefits Program

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

C. 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, 2003 was as follows:

	Lunchroom/ Cafeteria	Uniform School Supplies	Total Enterprise Funds
Operating revenues	\$ 130,442	\$ 11,060	\$ 141,502
Depreciation	101		101
Operating (loss)	(62,433)	(1,238)	(63,671)
Donated commodities	14,158		14,158
Grants	40,021		40,021
Interest	667		667
Loss on Disposal of Asset	(643)		(643)
Net (loss)	(8,230)	(1,238)	(9,468)
Net working capital	14,398	(168)	14,230
Total assets	56,273	682	56,955
Total liabilities	19,656	850	20,506
Total equity	36,617	(168)	36,449

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 District to NWOCA during this fiscal year were \$22,075. Financial information can be obtained from the 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, 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

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 \$166,302. Financial information can be obtained from Northern Buckeye Education Council, Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$445 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 § 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 District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)

	Textbooks	Capital Acquisition
Set-aside Balance as of June 30, 2002	\$ (44,983)	
Current Year Set-aside Requirement	74,552	\$ 74,552
Qualifying Disbursements	(84,390)	(74,552)
Total	<u>\$ (54,821)</u>	<u>\$ -</u>
Cash Balance Carried Forward to FY 2004	<u>\$ (54,821)</u>	<u>\$ -</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.

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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2003, the Management Information System, Education for Economic Security, Title I, Title VI, Title II-A, and Uniform School Supplies had deficit fund balances of \$2,046, \$188, \$16,080, \$1,181, \$970, and \$168, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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, 2004, and have issued our report thereon dated March 22, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting to determine our auditing procedures in order to express our opinion(s) on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 22, 2005, we reported other matters involving internal control over financial reporting.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Pettisville Local School District
Fulton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and board of education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 22, 2005



**Auditor of State
Betty Montgomery**

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
MAY 5, 2005**