



**Auditor of State
Betty Montgomery**

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Comparison (Non-GAAP Budgetary Basis) - General Fund.....	16
Statement of Fiduciary Net Assets – Fiduciary	17
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	18
Notes to the Basic Financial Statements	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43

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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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pettisville Local School District, Fulton County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pettisville Local School District, Fulton County, Ohio, as of June 30, 2004, and the respective changes in financial position, where applicable, and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As described in Note 9, during the year ended June 30, 2004, the School District changed its fixed asset capitalization policy.

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 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

The discussion and analysis of the Pettisville Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets decreased \$267,509.
- General revenues accounted for \$3,176,431, or 72 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,205,234 or 28 percent of total revenues of \$4,381,665.
- The District's major funds included the General Fund and the Permanent Improvement Capital Projects Fund.
- The General Fund had \$3,613,758 in revenues and other financing sources and \$3,819,478 in expenditures and other financing uses. There were no significant changes in the General fund revenues or expenditures between 2003 and 2004. The General Fund's balance decreased \$205,720 from the prior fiscal year.
- The Permanent Improvement Capital Projects Fund had \$137,971 in revenues and \$86,321 in expenditures. In 2004 revenues decreased by \$85,684 due to an American Disabilities grant received in 2003 for a building improvement project. This resulted in a decrease in expenditures in 2004 in the amount of \$148,250 in relation to the renovation project in 2003. The Permanent Improvement Capital Projects Fund's balance increased \$51,650 from the prior fiscal year.

Using the Basic Financial Statements

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund and the Permanent Improvement Capital Projects Fund are the only two major funds.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Reporting the District as a Whole

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

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

Reporting the District's Most Significant Funds

FUND FINANCIAL STATEMENTS

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

Table 1
Net Assets
Governmental Activities

	2004
Assets:	
Current and Other Assets	\$ 2,389,133
Capital Assets, Net	2,797,319
<i>Total Assets</i>	5,186,452
 Liabilities:	
Current and Other Liabilities	1,804,101
Long-Term Liabilities	352,660
<i>Total Liabilities</i>	2,156,761
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,786,739
Restricted	535,105
Unrestricted	(292,153)
<i>Total</i>	\$ 3,029,691

Table 2 reflects the changes in net assets for fiscal year 2004. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2003. A comparative analysis will be provided in future years when prior year information is available.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 2
Change in Net Assets
Governmental Activities

	2004
Revenues:	
Program Revenues:	
Charges for Services and Sales	\$ 926,470
Operating Grants, Contributions and Interest	242,259
Capital Grants and Contributions	36,505
<i>Total Program Revenues</i>	1,205,234
General Revenues:	
Property Taxes	1,154,131
Income Taxes	99,899
Grants and Entitlements	1,881,455
Interest	10,718
Gifts and Donations	23,557
Miscellaneous	6,671
<i>Total General Revenues</i>	3,176,431
<i>Total Revenues</i>	4,381,665
 Expenses:	
Instruction	2,550,970
Support Services:	
Pupils	104,874
Instructional Staff	201,593
Board of Education	9,799
Administration	400,473
Fiscal	139,070
Business	980
Operation and Maintenance of Plant	397,005
Pupil Transportation	207,293
Central	62,022
Non-Instructional	205,343
Extracurricular Activities	301,605
Capital Outlay	68,147
<i>Total Expenses</i>	4,649,174
<i>Increase in Net Assets</i>	\$ (267,509)

Governmental Activities

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 3
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$ 2,550,970	\$ 1,706,003
Support Services:		
Pupils	104,874	104,874
Instructional Staff	201,593	192,936
Board of Education	9,799	9,799
Administration	400,473	395,473
Fiscal	139,070	139,070
Business	980	980
Operation and Maintenance of Plant	397,005	397,005
Pupil Transportation	207,293	207,293
Central	62,022	47,022
Non-Instructional	205,343	10,006
Extracurricular Activities	301,605	179,637
Capital Outlay	68,147	53,842
<i>Total Expenses</i>	<u>\$ 4,649,174</u>	<u>\$ 3,443,940</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 74 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 72 percent. The remaining 28 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund. Total governmental funds had revenues of \$4,371,908 and expenditures of \$4,500,987. The net negative change of \$129,079 in fund balance for the year indicates that the District's current year revenues were not adequate to meet the current year expenditures.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$4,082,756 while actual expenditures were \$3,773,587. The \$309,169 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$2,797,319 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see notes to the basic financial statements.

Debt

At June 30, 2004, the District had \$10,580 in a special waterline assessment note. The notes will mature in fiscal year 2013. The notes are being retired through the General Fund.

At June 30, 2004, the District's overall legal debt margin was \$3,773,228, with an un-voted debt margin of \$41,925.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

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

The District is currently operating in the first year of the state biennium budget. 47.1 percent of district revenue sources are from local funds, 49.5 percent from state funds and the remaining 3.4 percent is from federal funds. The total expenditure per pupil was calculated at \$7,788.

In May 2003, the District passed a five-year 1 percent income tax to generate \$340,000 annually. This levy provides a source of funds for the financial operations and stability of the district. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

Contacting the District's Financial Management

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
June 30, 2004**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 991,339
Materials and Supplies Inventory	7,649
Accrued Interest Receivable	92
Accounts Receivable	171
Intergovernmental Receivable	47,241
Taxes Receivable	1,264,450
Income Taxes Receivable	78,191
Non-Depreciable Capital Assets	275,900
Depreciable Capital Assets, net	2,521,419
<i>Total Assets</i>	5,186,452
Liabilities	
Accounts Payable	13,563
Accrued Wages and Benefits	455,440
Intergovernmental Payable	108,685
Matured Compensated Absences Payable	34,142
Deferred Revenue	1,192,271
Long-Term Liabilities:	
Due Within One Year	5,729
Due in More Than One Year	346,931
<i>Total Liabilities</i>	2,156,761
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,786,739
Restricted for Capital Outlay	215,046
Restricted for Other Purposes	320,059
Unrestricted	(292,153)
<i>Total Net Assets</i>	\$ 3,029,691

See Accompanying Notes to the Basic Financial Statements

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY

Statement of Activities
For the Fiscal Year Ended June 30, 2004

	<u>Expenses</u>
Governmental Activities	
Instruction:	
Regular	\$ 2,022,328
Special	334,637
Vocational	194,005
Support Services:	
Pupils	104,874
Instructional Staff	201,593
Board of Education	9,799
Administration	400,473
Fiscal	139,070
Business	980
Operation and Maintenance of Plant	397,005
Pupil Transportation	207,293
Central	62,022
Operation of Non-Instructional Services	205,343
Extracurricular Activities	301,605
Capital Outlay	68,147
<i>Totals</i>	<u><u>\$ 4,649,174</u></u>

See Accompanying Notes to the Basic Financial Statements

Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 648,221	\$ 47,237 131,629 4,680	\$ 13,200	\$ (1,313,670) (203,008) (189,325)
	8,657		(104,874) (192,936) (9,799)
	5,000		(395,473) (139,070) (980)
	6,000	9,000	(397,005) (207,293) (47,022)
156,281	39,056		(10,006) (179,637)
121,968		14,305	(53,842)
<u>\$ 926,470</u>	<u>\$ 242,259</u>	<u>\$ 36,505</u>	<u>(3,443,940)</u>

General Revenues

Taxes:		
Property Taxes, Levied for General Purposes		1,041,783
Property Taxes, Levied for Capital Outlay		112,348
Income Taxes		99,899
Grants and Entitlements not Restricted to Specific Programs		1,881,455
Gifts and Donations		23,557
Investment Earnings		10,718
Miscellaneous		6,671
<i>Total General Revenues</i>		<u>3,176,431</u>
<i>Change in Net Assets</i>		(267,509)
Net Assets Beginning of Year		<u>3,297,200</u>
<i>Net Assets End of Year</i>		<u>\$ 3,029,691</u>

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2004**

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 489,657	\$ 207,747	\$ 293,935	\$ 991,339
Materials and Supplies Inventory			7,649	7,649
Accrued Interest Receivable	92			92
Accounts Receivable	53		118	171
Intergovernmental Receivable			47,241	47,241
Taxes Receivable	1,145,060	119,390		1,264,450
Income Taxes Receivable	78,191			78,191
Total Assets	\$ 1,713,053	\$ 327,137	\$ 348,943	\$ 2,389,133
Liabilities				
Accounts Payable	\$ 7,827		\$ 5,736	\$ 13,563
Accrued Wages and Benefits	435,092		20,348	455,440
Intergovernmental Payable	62,420		2,800	65,220
Matured Compensated Absences Payable	34,142			34,142
Deferred Revenue	1,116,815	\$ 113,876	36,153	1,266,844
Total Liabilities	1,656,296	113,876	65,037	1,835,209
Fund Balances				
Reserved for:				
Encumbrances	32,308	64,629	3,319	100,256
Property Taxes	48,819	5,514		54,333
Unreserved, Undesignated, Reported in:				
General Fund	(24,370)			(24,370)
Special Revenue Funds			280,587	280,587
Capital Projects Funds		143,118		143,118
Total Fund Balances	56,757	213,261	283,906	553,924
Total Liabilities and Fund Balances	\$ 1,713,053	\$ 327,137	\$ 348,943	\$ 2,389,133

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004**

Total Governmental Fund Balances		\$ 553,924
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		2,797,319
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		74,573
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(43,465)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(10,580)	
Compensated Absences Payable	<u>(342,080)</u>	
		<u>(352,660)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 3,029,691</u></u>

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	General Fund	Permanent Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 1,028,440	\$ 110,563		\$ 1,139,003
Income Tax	79,325			79,325
Intergovernmental	1,848,696	27,408	\$ 294,531	2,170,635
Interest	8,897		1,821	10,718
Tuition and Fees	638,352		8,542	646,894
Rent	1,169			1,169
Extracurricular Activities			121,968	121,968
Gifts and Donations	2,050		21,507	23,557
Customer Sales and Services	158		157,810	157,968
Miscellaneous	5,653			5,653
<i>Total Revenues</i>	<u>3,612,740</u>	<u>137,971</u>	<u>606,179</u>	<u>4,356,890</u>
Expenditures				
Current:				
Instruction:				
Regular	1,879,413	4,192	72,901	1,956,506
Special	240,498		96,657	337,155
Vocational	174,779		3,000	177,779
Support Services:				
Pupils	102,775		2,830	105,605
Instructional Staff	116,462		49,887	166,349
Board of Education	9,799			9,799
Administration	356,333		20,379	376,712
Fiscal	124,035	2,397		126,432
Business	980			980
Operation and Maintenance of Plant	382,415	15,882	1,255	399,552
Pupil Transportation	177,357		701	178,058
Central	57,416		15,000	72,416
Operation of Non-Instructional Services			213,569	213,569
Extracurricular Activities	178,919		119,009	297,928
Capital Outlay	4,297	63,850		68,147
<i>Total Expenditures</i>	<u>3,805,478</u>	<u>86,321</u>	<u>595,188</u>	<u>4,486,987</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(192,738)</u>	<u>51,650</u>	<u>10,991</u>	<u>(130,097)</u>
Other Financing Sources and Uses				
Transfers In			14,000	14,000
Proceeds from Sale of Fixed Assets	1,018			1,018
Transfers Out	(14,000)			(14,000)
<i>Total Other Financing Sources and Uses</i>	<u>(12,982)</u>		<u>14,000</u>	<u>1,018</u>
<i>Net Change in Fund Balances</i>	<u>(205,720)</u>	<u>51,650</u>	<u>24,991</u>	<u>(129,079)</u>
Fund Balance at Beginning of Year	262,477	161,611	258,915	683,003
<i>Fund Balance at End of Year</i>	<u>\$ 56,757</u>	<u>\$ 213,261</u>	<u>\$ 283,906</u>	<u>\$ 553,924</u>

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds \$ (129,079)

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

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

Capital Outlay - Depreciable Capital Assets	33,927	
Depreciation	<u>(163,010)</u>	
		(129,083)

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

Intergovernmental	(11,945)	
Income Taxes	20,574	
Delinquent Property Taxes	<u>15,128</u>	
		23,757

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

1,244

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(11,647)	
Compensated Absences Payable	<u>(22,701)</u>	
		<u>(34,348)</u>

Change in Net Assets of Governmental Activities \$ (267,509)

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
General Fund
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property and Other Local Taxes	\$ 1,092,659	\$ 1,109,915	\$ 1,109,902	\$ (13)
Income Tax		21,705	21,708	3
Intergovernmental	1,933,763	1,848,706	1,848,696	(10)
Interest	12,997	8,100	8,805	705
Tuition and Fees	441,388	638,285	638,299	14
Rent	530	1,170	1,169	(1)
Gifts and Donations	2,360	2,050	2,050	
Customer Sales and Services	-	160	158	(2)
Miscellaneous	2,939	1,425	1,616	191
<i>Total Revenues</i>	<u>3,486,636</u>	<u>3,631,516</u>	<u>3,632,403</u>	<u>887</u>
Expenditures				
Current:				
Instruction:				
Regular	1,925,372	1,925,372	1,819,795	105,577
Special	205,275	242,695	239,240	3,455
Vocational	178,739	180,814	173,541	7,273
Support Services:				
Pupils	119,245	119,645	104,412	15,233
Instructional Staff	120,821	124,821	117,072	7,749
Board of Education	14,070	14,070	9,799	4,271
Administration	384,934	384,934	351,319	33,615
Fiscal	128,130	128,130	114,776	13,354
Business	2,250	2,250	980	1,270
Operation and Maintenance of Plant	409,609	411,609	383,749	27,860
Pupil Transportation	190,515	216,051	200,499	15,552
Central	71,300	84,900	61,189	23,711
Extracurricular Activities	190,310	192,360	176,428	15,932
Capital Outlay	21,000	21,700	6,788	14,912
<i>Total Expenditures</i>	<u>3,961,570</u>	<u>4,049,351</u>	<u>3,759,587</u>	<u>289,764</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(474,934)</u>	<u>(417,835)</u>	<u>(127,184)</u>	<u>290,651</u>
Other Financing Sources and Uses				
Proceeds from Sale of Fixed Assets	660	1,015	1,018	3
Refund of Prior Year Expenditures	4,380	19,570	19,569	(1)
Advances In	6,040	11,350	11,350	
Transfers Out	(15,000)	(15,000)	(14,000)	1,000
Advances Out	(5,650)	(5,650)		5,650
Other Financing Uses	(75,000)	(12,755)		12,755
<i>Total Other Financing Sources and Uses</i>	<u>(84,570)</u>	<u>(1,470)</u>	<u>17,937</u>	<u>19,407</u>
<i>Net Change in Fund Balances</i>	<u>(559,504)</u>	<u>(419,305)</u>	<u>(109,247)</u>	<u>310,058</u>
Fund Balance at Beginning of Year	550,308	550,308	550,308	
Prior Year Encumbrances Appropriated	8,520	8,520	8,520	
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (676)</u>	<u>\$ 139,523</u>	<u>\$ 449,581</u>	<u>\$ 310,058</u>

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004**

	Private Purpose Trust	Agency Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 655	\$ 53,562
<i>Total Assets</i>	655	53,562
Liabilities		
Undistributed Monies	-	53,562
<i>Total Liabilities</i>	-	53,562
Net Assets		
Held in Trust for Scholarships	655	-
<i>Total Net Assets</i>	\$ 655	\$ -

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2004**

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 3
<i>Total Additions</i>	<u>3</u>
Deductions	
Payments in Accordance with Trust Agreements	698
<i>Total Deductions</i>	<u>698</u>
Change in Net Assets	(695)
Net Assets Beginning of Year	<u>1,350</u>
<i>Net Assets End of Year</i>	<u><u>\$ 655</u></u>

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Pettisville Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Pettisville Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's one instructional/support facility staffed by 26 non-certified and 42 certified full-time teaching personnel who provide services to 564 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 insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

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

The District is associated with organizations, which are defined as jointly governed organizations, a related organization, and group purchasing pools. These organizations include the Northwest Ohio Computer Association, Northern Buckeye Education Council, Four County Career Center, Northern Buckeye Education Council's Employee Insurance Benefits Program, Northern Buckeye Education Council Workers' Compensation Group Rating Plan, Ohio School Plan, and the Pettisville School Foundation. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Permanent Improvement Capital Projects Fund are the District's major governmental funds:

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Permanent Improvement Capital Projects Fund - The Permanent Improvement Fund is 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).

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency and private purpose trust funds.

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all 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 2004, 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 Fund during fiscal year 2004 amounted to \$8,897 and \$1,824 to other District funds.

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

G. Inventory

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

H. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

I. Compensated Absences

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

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

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

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

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

M. Fund Balance Reserves and Designations

The 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 and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute

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.

O. Pass-Through Grants

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments;" GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus;" GASB No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

B. Restatement of Fund Balance

The restatements for fund classifications, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	<u>General</u>	<u>Permanent Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance June 30, 2003	\$ 258,981	\$ 161,611	\$ 60,964	\$ 481,556
GASB Statement 34 Adjustment				
Fund Reclassification			192,113	192,113
Interpretation 6 Adjustments:				
Compensated Absences Payable	<u>3,496</u>		<u>5,838</u>	<u>9,334</u>
Adjusted Fund Balance	<u>\$ 262,477</u>	<u>\$ 161,611</u>	<u>\$ 258,915</u>	683,003
GASB 34 Adjustments:				
Receivables				50,816
Capital Assets				2,926,402
Long-Term Liabilities				<u>(363,021)</u>
Governmental Activities Net Assets at June 30, 2003				<u>\$ 3,297,200</u>

4. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Net Change in Fund Balance Major Governmental Fund	
	General
GAAP Basis	(205,720)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	145,813
Accrued FY 2004, Not Yet Received in Cash	(126,150)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(453,514)
Accrued FY 2004, Not Yet Paid in Cash	559,050
Advances Net	11,350
Encumbrances Outstanding at Year End (Budget Basis)	(40,076)
Budget Basis	\$ (109,247)

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook 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 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,

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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 any securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds 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 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 purchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits

At the year-end, the carrying amount of the District's deposits was \$1,045,556 and the bank balance was \$1,075,673. Of the bank balance:

1. \$138,313 was covered by Federal Depository Insurance; and
2. \$937,360 was collateralized by securities specifically pledged by the financial institution in the name of the District.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Fulton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2004, was \$48,819 in the General Fund and \$5,514 in the Capital Projects Fund. The amount available as an advance at June 30, 2003, was \$88,649 in the General Fund and \$9,774 in the Capital Projects Fund.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 31,425,660	76%	\$ 32,051,890	77%
Industrial/Commercial	3,863,020	9%	3,858,210	9%
Public Utility Personal Property	3,435,780	8%	3,471,980	8%
Tangible Personal	2,999,570	7%	2,542,680	6%
Total Assessed Value	<u>\$ 41,724,030</u>	<u>100%</u>	<u>\$ 41,924,760</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 54.00</u>		<u>\$ 54.00</u>	

7. INCOME TAXES

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, and for a five year-period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

8. RECEIVABLES

Receivables at June 30, 2004, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Food Service	\$ 5,599
Title II-A	6,028
Miscellaneous Federal	35,614
Total Intergovernmental Receivables	<u>\$ 47,241</u>

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 275,900			\$ 275,900
<i>Total Nondepreciable Capital Assets</i>	<u>275,900</u>			<u>275,900</u>
Depreciable Capital Assets				
Land Improvements	202,323			202,323
Buildings and Building Improvements	3,537,627			3,537,627
Furniture, Fixtures, and Equipment	371,101	\$ 27,756		398,857
Vehicles	600,658			600,658
Books	353,271	6,171		359,442
<i>Total Depreciable Capital Assets</i>	<u>5,064,980</u>	<u>33,927</u>		<u>5,098,907</u>
Less Accumulated Depreciation				
Land Improvements	112,369	9,467		121,836
Buildings and Building Improvements	1,246,325	68,859		1,315,184
Furniture, Fixtures, and Equipment	231,257	28,550		259,807
Vehicles	500,695	26,695		527,390
Books	323,832	29,439		353,271
<i>Total Accumulated Depreciation</i>	<u>2,414,478</u>	<u>163,010</u>		<u>2,577,488</u>
Depreciable Capital Assets, Net	<u>2,650,502</u>	<u>(129,083)</u>		<u>2,521,419</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 2,926,402</u>	<u>\$ (129,083)</u>		<u>\$ 2,797,319</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 90,587
Vocational	201
Support Services:	
Instructional Staff	35,592
Administration	654
Operation and Maintenance of Plant	1,500
Pupil Transportation	28,014
Non-Instructional Services	1,835
Extracurricular	4,627
Capital Outlay	-
Total Depreciation Expense	<u>\$ 163,010</u>

The balance of capital assets (at cost) as of June 30, 2003, was decreased by \$1,084,740 from \$6,425,620 to \$5,340,880 due to the change in the District's capitalization threshold from \$500 to \$5,000.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

10. 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)	\$ 13,197,080
Auto Coverage	
Liability	2,000,000

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

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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

11. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$66,023, \$56,240, and \$35,155, respectively; 57 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$43,465.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the combined plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit" the retirement allowance is based on years of credited

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

The Combined Plan benefits member contributions are allocated by the member and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or lump-sum payment in addition to the original retirement allowance. Benefits are increased annually by 3 percent of the original base amount for Defined Benefit Plan participants.

The defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Contribution requirement and the contributions actually made for the fiscal year ended June 30, 2004, were 10 percent of covered payroll for members and 14 percent for employers. Employer contributions actually paid should be disclosed in both dollar amounts and as a percentage of the employer's covered payroll for the current year and the two preceding years. Member and employer contributions actually made for Defined Contributions and Combined Plan participants will be provided upon written request.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$277,860, \$270,858, and \$196,254, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$48,556.

12. 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 partial 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 eligible benefit recipients, spouses, and dependents. By Ohio law, health care benefits are not guaranteed and 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, 2004, 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 \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 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, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

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, 2004, the allocation rate is 4.91 percent. In

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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 2004, the minimum pay has been established as \$24,500. 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, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

The amount to fund post employment benefits, including the surcharge, equaled \$44,756 during FY2004 fiscal year.

13. 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.

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2004, the following changes occurred in obligations reported in the Government-wide Financial Statements:

	Balance at 06/30/03	Increase	Decrease	Balance at 06/30/04	Amount Due In one Year
Special Waterline Assessment	\$ 11,824		\$ 1,244	\$ 10,580	\$ 1,244
Intergovernmental Payable	31,818		31,818		
Compensated Absences	319,379	\$ 342,080	319,379	342,080	4,485
<i>Total Long-Term Obligations</i>	<u>\$ 363,021</u>	<u>\$ 342,080</u>	<u>\$ 352,441</u>	<u>\$ 352,660</u>	<u>\$ 5,729</u>

The Special Waterline Assessment Loan at June 30, 2004 totaling \$10,580 with current interest rate of 5.40 percent will mature in 2013.

Total expenditures for interest for the period ended June 30, 2004 was \$622.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The scheduled payments of principal and interest on debt outstanding at June 30, 2004 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,244	299	1,543
2010-2013	4,360	493	4,853
Total	<u>\$ 10,580</u>	<u>\$ 2,616</u>	<u>\$ 13,196</u>

15. 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 2004, the School District had expenditures of \$391 for operating lease. The following schedule is of future minimum lease payments as of June 30, 2004.

Fiscal Year Ending June 30:	Amount
2005	\$ 377
2006	362
2007	348
2008	333
2009	318
2010-2012	732
<i>Total Minimum Lease Payment</i>	<u>\$ 2,470</u>

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 acquisitions. Disclosure of this information is required by State statute.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Textbooks	Capital Acquisition
Set-aside Balance as of June 30, 2003	\$ (54,821)	
Current Year Set-aside Requirement	76,161	\$ 76,161
Current Year Offsets		
Qualifying Disbursements	(74,600)	(76,161)
Total	\$ (53,260)	\$ -
Balance Carried Forward to FY 2005	\$ (53,260)	

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

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

17. 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 \$22,645. 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. 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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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.

18. 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 \$225,913. 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 \$472 to the WCGRP to cover the costs of administering the program.

C. Ohio School Plan

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

19. RELATED ORGANIZATION

Pettisville School Foundation

The Pettisville School Foundation consists of a nine member Board of Trustees. Two of the trustees are appointed by the Pettisville Board of Education and the other seven members elected positions by the membership. The Foundation supports the District and community in various projects such as

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

scholarship programs, the attendance incentive program, and fund raising for school facilities. Decisions to disburse money to the District are discretionary decisions made solely by the Board of Trustees of the Foundation. Financial information can be obtained from the Pettisville School Foundation, PO Box 111, Pettisville, Ohio 43553.

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

21. INTERFUND TRANSFERS

During the year ended June 30, 2004, the General Fund transferred \$14,000 to Other Non-major Governmental Funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

22. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. Litigation

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

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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 the governmental activities, each major fund, and the aggregate remaining fund information of Pettisville Local School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2005 in which we noted the District adopted Governmental Accounting Standards Board Statement 34 and changed its fixed asset capitalization policy. 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*.

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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**

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PETTISVILLE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2005**