

**PETTISVILLE LOCAL SCHOOL
DISTRICT**

FULTON COUNTY

FINANCIAL STATEMENTS

Year Ended June 30, 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Pettisville Local School District, Fulton County, prepared by Steyer & Co., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 9, 2009

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STEYER & CO.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Pettisville Local School District
Pettisville, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pettisville Local School District, Fulton County, Ohio, (the District), as of and for the year ended June 30, 2007, 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, 2007, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of Pettisville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 8 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 "Steyer & Co." in a cursive script.

STEYER & CO.
Certified Public Accountants

Defiance, Ohio
December 12, 2008

**PETTISVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

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, 2007. 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 2007 are as follows:

In total, net assets increased \$497,262.

General revenues accounted for \$3,789,042, or 72 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants, and contributions accounted for \$1,447,049, or 28 percent of total revenues of \$5,236,091.

The District's major fund is the General Fund.

The General Fund had \$4,499,009 in revenues and \$4,216,387 in expenditures. There were no significant changes in the General Fund revenues or expenditures between 2006 and 2007. The General Fund's balance increased \$282,622 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 Pettisville Local School 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 Pettisville Local School District, the General Fund is by far the most significant fund. The General Fund is the only major fund.

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 2007. 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 fund is the General 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.

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 2007 compared to fiscal year 2006.

Table 1
Net Assets
Governmental Activities

<u>Assets:</u>	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 2,931,831	\$2,529,338
Capital Assets, Net	<u>2,939,348</u>	<u>2,803,004</u>
Total Assets	5,871,179	5,332,342
 <u>Liabilities:</u>		
Current and Other Liabilities	1,787,966	1,766,380
Long-Term Liabilities	<u>383,168</u>	<u>363,179</u>
Total Liabilities	2,171,134	2,129,559
 <u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	2,930,623	2,792,937
Restricted	508,125	430,811
Unrestricted	<u>261,297</u>	<u>(20,965)</u>
Total Net Assets	<u>\$ 3,700,045</u>	<u>\$3,202,783</u>

There were no significant changes in net assets or liabilities between 2006 and 2007.

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

Table 2
Change in Net Assets
Governmental Activities

<u>Revenues:</u>	<u>2007</u>	<u>2006</u>
<u>Program Revenues:</u>		
Charges for Services and Sales	\$ 1,111,438	\$1,104,051
Operating Grants and Contributions	335,611	291,601
Capital Grants and Contributions	-	6,656
Total Program Revenues	<u>1,447,049</u>	<u>1,402,308</u>
 <u>General Revenues:</u>		
Property Taxes	1,284,478	1,325,856
Income Taxes	419,793	389,153
Grants and Entitlements	1,930,398	1,951,779
Interest	77,210	48,220
Gifts and Donations	77,246	20,472
Miscellaneous	481	18,294
Loss From Sale of Capital Assets	<u>(564)</u>	<u>-</u>
Total General Revenues	<u>3,789,042</u>	<u>3,753,774</u>
Total Revenues	\$ 5,236,091	\$5,156,082

Table 2 (Continued)
Change in Net Assets
Governmental Activities

<u>Expenses:</u>	<u>2007</u>	<u>2006</u>
Instruction	\$ 2,757,437	\$2,778,333
Support Services:		
Pupils	103,179	96,186
Instructional Staff	126,289	128,606
Board of Education	16,341	8,520
Administration	420,926	451,423
Fiscal	186,984	177,256
Business	1,041	874
Operation and Maintenance of Plant	414,730	457,550
Pupil Transportation	244,536	213,006
Central	55,644	48,710
Non-Instructional Services	228,107	233,394
Extracurricular Activities	135,585	347,616
Capital Outlay	48,030	30,548
Total Expenses	<u>4,738,829</u>	<u>4,972,022</u>
Increase in Net Assets	<u>\$ 497,262</u>	<u>\$ 184,060</u>

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.

Table 3
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$ 2,757,437	\$ 1,724,986	\$ 2,778,333	\$ 1,750,544
Support Services:				
Pupils	103,179	101,179	96,186	93,386
Instructional Staff	126,289	120,843	128,606	125,881
Board of Education	16,341	16,341	8,520	8,520
Administration	420,926	415,926	451,423	446,423
Fiscal	186,984	186,984	177,256	177,256
Business	1,041	1,041	874	874
Operation & Maintenance of Plant	414,730	414,730	457,550	457,550
Pupil Transportation	244,536	239,679	213,006	213,006
Central	55,644	49,644	48,710	42,710
Non-Instructional Services	228,107	(1,653)	233,394	19,202
Extracurricular Activities	135,585	(25,950)	347,616	203,814
Capital Outlay	48,030	48,030	30,548	30,548
Total Expenses	<u>\$ 4,738,829</u>	<u>\$ 3,291,780</u>	<u>\$ 4,972,022</u>	<u>\$ 3,569,714</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 62 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 69 percent. The remaining 31 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 fund is the General Fund. Total governmental funds had revenues of \$5,223,080 and expenditures of \$4,858,023. The net positive change of \$365,057 in fund balance for the year indicates that the District's current year revenues were 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 2007, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$4,313,394 while actual expenditures were \$4,256,037. The \$57,357 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.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$2,939,348 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

Debt

At June 30, 2007, the District had \$8,725 in a special waterline assessment note. The note will mature in fiscal year 2014. The note is being retired through the General Fund.

At June 30, 2007, the District's overall legal debt margin was \$3,890,796, with an un-voted debt margin of \$43,231.

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 located in Northwest Ohio. It has a number of small and medium businesses with agriculture having a major contributing influence on the economy.

57 percent of District revenue sources are from local funds, 38 percent from state funds and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$11,245.

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 Christopher Lee, Treasurer, Pettisville Local School District, Box 53001, Pettisville, Ohio 43553.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,395,260
Materials and Supplies Inventory	13,500
Accrued Interest Receivable	1,105
Intergovernmental Receivable	28,255
Taxes Receivable	1,309,904
Income Taxes Receivable	183,807
Noncurrent Assets	
Non-Depreciable Capital Assets	275,900
Depreciable Capital Assets, net	2,663,448
Total Assets	5,871,179
LIABILITIES	
Current Liabilities	
Accounts Payable	39,668
Accrued Wages and Benefits	453,037
Intergovernmental Payable	113,734
Matured Compensated Absences Payable	18,871
Deferred Revenue	1,162,656
Long-Term Liabilities:	
Due Within One Year	1,342
Due in More Than One Year	381,826
Total Liabilities	2,171,134
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,930,623
Restricted for Capital Outlay	162,362
Restricted for Other Purposes	345,763
Unrestricted	261,297
Total Net Assets	\$ 3,700,045

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES:				
Instruction:				
Regular	\$ 2,258,436	\$ 783,210	\$ 118,910	\$ (1,356,316)
Special	286,160	-	95,797	(190,363)
Vocational	189,433	-	34,534	(154,899)
Other	23,408	-	-	(23,408)
Support Services:				
Pupils	103,179	-	2,000	(101,179)
Instructional Staff	126,289	-	5,446	(120,843)
Board of Education	16,341	-	-	(16,341)
Administration	420,926	-	5,000	(415,926)
Fiscal	186,984	-	-	(186,984)
Business	1,041	-	-	(1,041)
Operation and Maintenance of Plant	414,730	-	-	(414,730)
Pupil Transportation	244,536	-	4,857	(239,679)
Central	55,644	-	6,000	(49,644)
Operation of Non-Instructional Services	228,107	166,693	63,067	1,653
Extracurricular Activities	135,585	161,535	-	25,950
Capital Outlay	48,030	-	-	(48,030)
Totals	\$ 4,738,829	\$ 1,111,438	\$ 335,611	(3,291,780)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,160,614
Property Taxes, Levied for Capital Outlay				123,864
Income Taxes				419,793
Grants and Entitlements not Restricted to				
Specific Programs				1,930,398
Gifts and Donations				77,246
Investment Earnings				77,210
Miscellaneous				481
Loss from Sale of Capital Assets				(564)
<i>Total General Revenues</i>				<u>3,789,042</u>
<i>Change in Net Assets</i>				497,262
<i>Net Assets Beginning of Year</i>				<u>3,202,783</u>
<i>Net Assets End of Year</i>				<u>\$ 3,700,045</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 879,916	\$ 515,344	\$ 1,395,260
Materials and Supplies Inventory	-	13,500	13,500
Accrued Interest Receivable	1,105	-	1,105
Intergovernmental Receivable	-	28,255	28,255
Taxes Receivable	1,209,300	100,604	1,309,904
Income Taxes Receivable	<u>183,807</u>	<u>-</u>	<u>183,807</u>
Total Assets	<u>\$ 2,274,128</u>	<u>\$ 657,703</u>	<u>\$ 2,931,831</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 33,546	\$ 6,122	\$ 39,668
Accrued Wages and Benefits	424,995	28,042	453,037
Intergovernmental Payable	69,965	2,273	72,238
Matured Compensated Absences Payable	18,871	-	18,871
Deferred Revenue	<u>1,155,255</u>	<u>118,045</u>	<u>1,273,300</u>
Total Liabilities	<u>1,702,632</u>	<u>154,482</u>	<u>1,857,114</u>
FUND BALANCES			
Reserved for:			
Encumbrances	7,029	9,202	16,231
Inventory	-	13,500	13,500
Property Taxes	56,071	6,312	62,383
Unreserved, Undesignated, Reported in:			
General Fund	508,396	-	508,396
Special Revenue Funds	-	325,001	325,001
Capital Projects Funds	<u>-</u>	<u>149,206</u>	<u>149,206</u>
Total Fund Balances	<u>571,496</u>	<u>503,221</u>	<u>1,074,717</u>
Total Liabilities and Fund Balances	<u>\$ 2,274,128</u>	<u>\$ 657,703</u>	<u>\$ 2,931,831</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
 June 30, 2007**

Total Governmental Fund Balances	\$ 1,074,717
 <i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	2,939,348
Taxes receivable that do not provide financial resources are not reported as revenues in governmental fund.	110,644
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.	(41,496)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
General obligation bonds payable	(8,725)
Compensated absences payable	(374,443)
	(383,168)
 <i>Net Assets of Governmental Activities</i>	 <u>\$ 3,700,045</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property and Other Local Taxes	\$ 1,143,864	\$ 122,459	\$ 1,266,323
Income Tax	422,556	-	422,556
Intergovernmental	2,079,157	188,669	2,267,826
Interest	63,741	13,469	77,210
Tuition and Fees	779,515	-	779,515
Rent	643	-	643
Extracurricular Activities	-	161,535	161,535
Gifts and Donations	6,000	71,246	77,246
Customer Sales and Services	3,052	166,693	169,745
Miscellaneous	481	-	481
Total Revenues	<u>4,499,009</u>	<u>724,071</u>	<u>5,223,080</u>
EXPENDITURES			
Current:			
Instruction:			
Regular	2,050,857	122,866	2,173,723
Special	282,574	108	282,682
Vocational	184,222	4,400	188,622
Other	23,408	-	23,408
Support Services:			
Pupils	80,543	24,895	105,438
Instructional Staff	119,404	14,625	134,029
Board of Education	16,341	-	16,341
Administration	415,076	3,263	418,339
Fiscal	183,913	2,338	186,251
Business	1,041	-	1,041
Operation and Maintenance of Plant	400,981	20,117	421,098
Pupil Transportation	222,549	-	222,549
Central	45,748	8,735	54,483
Operation of Non-Instructional Services	-	223,440	223,440
Extracurricular Activities	189,730	173,430	363,160
Capital Outlay	-	43,419	43,419
Total Expenditures	<u>4,216,387</u>	<u>641,636</u>	<u>4,858,023</u>
Excess of Revenues Over (Under) Expenditures	<u>282,622</u>	<u>82,435</u>	<u>365,057</u>
Net Change in Fund Balances	282,622	82,435	365,057
Fund Balance at Beginning of Year	<u>288,874</u>	<u>420,786</u>	<u>709,660</u>
Fund Balance at End of Year	<u>\$ 571,496</u>	<u>\$ 503,221</u>	<u>\$ 1,074,717</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds **\$ 365,057**

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.	136,908
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.	(564)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	13,575
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.	1,342
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.	<u>(19,056)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ 497,262</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)
AND ACTUAL COMPARISON
GENERAL FUND**

For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Final Budget
REVENUES				
Property and Other Local Taxes	\$ 1,093,788	\$ 1,146,304	\$ 1,146,304	\$ -
Income Tax	401,542	405,728	405,728	-
Intergovernmental	1,963,747	2,092,959	2,079,157	(13,802)
Interest	38,535	63,937	63,937	-
Tuition and Fees	793,748	819,989	779,599	(40,390)
Rent	788	788	643	(145)
Gifts and Donations	2,522	6,522	6,000	(522)
Customer Sales and Services	-	3,052	3,052	-
Miscellaneous	554	554	483	(71)
Total Revenues	<u>4,295,224</u>	<u>4,539,833</u>	<u>4,484,903</u>	<u>(54,930)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	2,092,187	2,051,855	2,050,583	1,272
Special	253,371	281,873	281,562	311
Vocational	199,070	198,977	195,215	3,762
Other	23,780	23,780	23,408	372
Support Services:				
Pupils	107,227	88,199	87,336	863
Instructional Staff	115,884	132,073	128,118	3,955
Board of Education	9,499	17,883	16,383	1,500
Administration	436,089	427,856	424,225	3,631
Fiscal	199,006	192,810	185,813	6,997
Business	883	1,214	1,041	173
Operation and Maintenance of Plant	417,883	430,441	411,337	19,104
Pupil Transportation	205,674	224,075	218,945	5,130
Central	50,849	50,849	46,007	4,842
Extracurricular Activities	200,236	191,201	186,064	5,137
Capital Outlay	308	308	-	308
Total Expenditures	<u>4,311,946</u>	<u>4,313,394</u>	<u>4,256,037</u>	<u>57,357</u>
Excess of Revenues Over (Under)				
Expenditures	(16,722)	226,439	228,866	2,427
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	25,000	25,000	-	(25,000)
Advances In	-	5,835	5,835	-
Total Other Financing Sources and Uses	<u>25,000</u>	<u>30,835</u>	<u>5,835</u>	<u>(25,000)</u>
Net Change in Fund Balances	8,278	257,274	234,701	(22,573)
Fund Balance at Beginning of Year	567,672	567,672	567,672	-
Prior Year Encumbrances Appropriated	41,806	41,806	41,806	-
Fund Balance at End of Year	<u>\$ 617,756</u>	<u>\$ 866,752</u>	<u>\$ 844,179</u>	<u>\$ (22,573)</u>

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2007**

	Private Purpose Trust	Agency Fund
ASSETS		
Equity in Pooled Cash and Cash Equivalents	\$ 656	\$ 84,430
Total Assets	656	84,430
LIABILITIES		
Current Liabilities:		
Undistributed Monies	-	84,430
Total Liabilities	-	84,430
NET ASSETS		
Held in Trust for Scholarships	656	-
Total Net Assets	\$ 656	\$ -

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For the Fiscal Year Ended June 30, 2007**

	Private Purpose Trust
Change in Net Assets	\$ -
Net Assets Beginning of Year	<u>656</u>
Net Assets End of Year	<u><u>656</u></u>

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

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – DESCRIPTION OF THE SCHOOL 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 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 21 non-certified and 43 certified full-time teaching personnel who provide services to 432 students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. 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 Benefit Program, Northern Buckeye Education Council Workers’ Compensation Group Rating Plan, Schools of Ohio Risk Sharing Authority, and the Pettisville School Foundation. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

NOTE 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

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

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 are 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major 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 is the District's only major governmental fund:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The fiduciary funds of the District consist of agency and private purpose trust funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which is an endowment held for scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District holds money in agency funds for the Spanish Club, FCCLA, FFA, Student Council, Boosters, Library Club and several present and past "classes" of the District.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-exchange 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, 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, 2007, but which were levied to finance fiscal year 2008 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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$63,741 and \$13,469 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 the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

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

H. 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 \$5,000 dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

L. 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, inventory, 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.

M. 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.

N. Pass-Through Grants

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

O. 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 2007.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

	<u>Net Change in Fund Balance</u> <u>Major Governmental Fund</u>	
GAAP Basis		\$ 282,622
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 2006, Received in Cash FY 2007		224,849
Accrued FY 2007, Not Yet Received in Cash		(238,957)
Expenditure Accruals:		
Accrued FY 2006, Paid in Cash FY 2007		(551,284)
Accrued FY 2007, Not Yet Paid in Cash		547,377
Advances-Net		5,835
Encumbrances Outstanding at Year End (Budget Basis)		<u>(35,741)</u>
Budget Basis		<u>\$ 234,701</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be 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.

A. Cash on Hand

At fiscal year-end, the District had no undeposited cash on hand.

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$1,480,346. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$1,434,698 of the District's bank balance of \$1,535,356 was exposed to custodial risk as discussed below, while \$100,658 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2007, the District did not have any investments.

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

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

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

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2007:

<u>Cash per footnote</u>	
Carrying amount of deposits	\$ 1,480,346
Total	<u>\$ 1,480,346</u>
 <u>Cash per Statement of Net Assets</u>	
Governmental activities	\$ 1,395,260
Private Purpose Trust fund	656
Agency fund	84,430
Total	<u>\$ 1,480,346</u>

NOTE 5 – PROPERTY TAXES

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

NOTE 5 – PROPERTY TAXES (CONTINUED)

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 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 2007 were levied after April 1, 2006, on the assessed values as of December 31, 2005, 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 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2006, on the value as of December 31, 2005. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Fulton and Henry Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 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, 2007 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 2007 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, 2007, was \$56,071 in the General Fund and \$6,312 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2006, was \$30,983 in the General Fund and \$3,566 in the Permanent Improvement Capital Projects Fund.

NOTE 5 – PROPERTY TAXES (CONTINUED)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half		2007 First Half	
	Collections		Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$33,812,620	79%	\$34,325,020	79%
Industrial/Commercial	3,796,320	9%	3,804,610	9%
Public Utility Personal Property	3,176,730	7%	3,121,450	7%
Tangible Personal	2,082,903	5%	1,979,985	5%
Total Assessed Value	<u>\$42,868,573</u>	<u>100%</u>	<u>\$42,231,065</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 50.80</u>		<u>\$ 50.80</u>	

NOTE 6 – INCOME TAXES

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

NOTE 7 – RECEIVABLES

Receivables at June 30, 2007, consisted of property and income taxes, 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.

Summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Title I	\$ 1,699
Title II-D	276
Title V	120
Drug Free Grant	467
Miscellaneous Federal	<u>25,693</u>
Total Intergovernmental Receivables	<u>\$ 28,255</u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets:				
Land	\$ 275,900	\$ -	\$ -	\$ 275,900
Total Non-Depreciable Capital Assets	<u>275,900</u>	<u>-</u>	<u>-</u>	<u>275,900</u>
Depreciable Capital Assets:				
Land Improvements	244,349	250,000	-	494,349
Buildings & Building Improvements	3,552,611	-	-	3,552,611
Furniture, Fixtures, & Equipment	420,058	5,700	5,646	420,112
Vehicles	668,446	10,635	19,573	659,508
Books	379,526	11,319	-	390,845
Total Depreciable Capital Assets	<u>5,264,990</u>	<u>277,654</u>	<u>25,219</u>	<u>5,517,425</u>
Less Accumulated Depreciation:				
Land Improvements	140,770	27,907	-	168,677
Buildings & Building Improvements	1,446,164	65,121	-	1,511,285
Furniture, Fixtures, & Equipment	280,232	21,996	5,082	297,146
Vehicles	517,449	24,289	19,573	522,165
Books	353,271	1,433	-	354,704
Total Accumulated Depreciation	<u>2,737,886</u>	<u>140,746</u>	<u>24,655</u>	<u>2,853,977</u>
Depreciable Capital Assets, Net	<u>2,527,104</u>	<u>136,908</u>	<u>564</u>	<u>2,663,448</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,803,004</u>	<u>\$ 136,908</u>	<u>\$ 564</u>	<u>\$ 2,939,348</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 79,956
Vocational	201
Support Services:	
Instructional Staff	1,816
Administration	654
Operation and Maintenance of Plant	2,122
Pupil Transportation	25,475
Central	1,161
Operation of Non-Instructional Services	4,239
Extracurricular Activities	20,511
Capital Outlay	4,611
Total Depreciation Expense	<u>\$ 140,746</u>

NOTE 9 – 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 Schools of Ohio Risk Sharing Authority:

General Liability:

Bodily Injury & Property Damage	\$ 11,000,000
Personal Injury/Advertising Liability	\$ 11,000,000
Products/Completed Operations	\$ 11,000,000
Employee Benefits Liability	\$ 11,000,000
General Annual Aggregate	\$ 13,000,000
Fire Legal Liability	\$ 500,000
Medical Payments Occurrence/Aggregate	\$ 5,000/25,000

Educators' Legal Liability:

Errors or Omissions Coverage	\$ 11,000,000
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Automobile Liability:

Owned/Leased Vehicles (Per Occurrence)	\$ 11,000,000
Medical Payments (Occurrence/Aggregate)	\$ 5,000/25,000
Uninsured/Underinsured Motorist	\$ 1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in 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 (NBEC) for the benefits offered to its employees, which includes health, dental, and life insurance plans. NBEC 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. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the 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.

NOTE 9 – RISK MANAGEMENT (CONTINUED)

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.

NOTE 10 – 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 defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$74,712, \$86,053, and \$69,782, respectively; 57 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

NOTE 10 – DEFINED PENSION BENEFIT PLANS (CONTINUED)

DB Plan Benefits – 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 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% 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%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% 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% instead of 2.2%. 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.

DC Plan Benefits – 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% 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.

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% 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 an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB 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.

NOTE 10 – DEFINED PENSION BENEFIT PLANS (CONTINUED)

A DB 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 DB 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.

Chapter 3307 of the 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% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2007, were 10% of covered payroll for members and 14% for employers.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$338,570, \$326,575, and \$300,775, respectively; 85 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005.

NOTE 11 – POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans 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 the health care cost in the form of a 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 14% 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, 2007 and June 30, 2006, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For the year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000. There were 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007, the actuarially required allocation was .68%. The District's contributions for the year ended June 30, 2007 were \$5,546, which equaled the required contributions for the year.

B. Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits; the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the fiscal years ended June 30, 2007, 2006 and 2005 were \$36,109, \$33,691, and \$35,806, respectively; 57% has been contributed for fiscal year 2007 and 100% for fiscal year 2006 and 2005.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

NOTE 11 – POSTEMPLOYMENT BENEFITS (CONTINUED)

The financial reports of SERS’ Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS,300 East Broad Street, Suite 100,Columbus,Ohio 43215-3746 or by calling toll free (800)878-5853.It is also posted on SERS ’ website at www.ohsers.org under *Forms and Publications*.

NOTE 12 – 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.

NOTE 13 – LONG-TERM OBLIATIONS

During the year ended June 30, 2007, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Balance at 6/30/06	Increase	Decrease	Balance at 6/30/07	Amount Due Within One Year
Special Waterline Assessment	\$ 10,067	\$ -	\$ 1,342	\$ 8,725	\$ 1,342
Compensated Absences	353,112	374,443	353,112	374,443	-
Total Long-Term Obligations	<u>\$ 363,179</u>	<u>\$ 374,443</u>	<u>\$ 354,454</u>	<u>\$ 383,168</u>	<u>\$ 1,342</u>

The Special Waterline Assessment Loan at June 30, 2007, totaling \$8,725, has a current interest rate of 5.40% and will mature in 2014.

Total expenditures for interest for the period ended June 30, 2007 were \$544.

The scheduled payment of principal and interest on debt outstanding at June 30, 2007 are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,342	\$ 471	\$ 1,813
2009	1,342	399	1,741
2010	1,342	333	1,675
2011	1,342	265	1,607
2012	1,342	190	1,532
2013-2014	2,015	151	2,166
Total	<u>\$ 8,725</u>	<u>\$ 1,809</u>	<u>\$ 10,534</u>

NOTE 14 – OPERATING LEASE

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights, and therefore, the results of the lease agreement are not reflected in the District’s financial statements. During 2003, the District entered into a lease agreement for a postage meter. During fiscal year 2007, the District had expenditures of \$660 for the operating lease. The following schedule is of future minimum lease payments as of June 30, 2007.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 660
2009	165
Total minimum lease payment	<u>\$ 825</u>

NOTE 15 – 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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2006	\$ (65,840)	\$ -
Current Year Set-Aside Requirement	85,149	85,149
Qualifying Disbursements	(85,030)	(102,228)
Total	<u>\$ (65,721)</u>	<u>\$ (17,079)</u>
Cash Balance Carried Forward to FY 2008	<u>\$ (65,721)</u>	<u>\$ -</u>

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

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero in the capital acquisitions. 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 the future years, and are therefore not presented.

NOTE 16 – 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 fees paid by the District to NWOCA during this fiscal year were \$58,435. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center – one from each of the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 17 – GROUP PURCHASING POOLS

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

The Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. The Pool is governed by the Northern Buckeye Education Council (NBEC) and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$289,280. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, 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. Each year, the participating members pay an enrollment fee to the WCGRP to cover costs of administering the program. During the fiscal year, the District paid an enrollment fee of \$590 to WCGRP to cover the costs of administering the program.

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 17 – GROUP PURCHASING POOLS (CONTINUED)

C. Schools of Ohio Risk Sharing Authority

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

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pools. The Board of Directors consists of Superintendents, Treasurers, or Business Managers from the participating school districts. Willis Pooling administers the pool and Frank Gates Service Company manages the claims. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

NOTE 18 – RELATED ORGANIZATION

Pettisville School Foundation

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

NOTE 19 – 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, 2007.

B. Litigation

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

STEYER & CO.

Certified Public Accountants

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DEFIANCE, OHIO 43512
PHONE (419) 782-1030
FAX (419) 782-5298

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Pettisville Local School District
Pettisville, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pettisville Local School District, Fulton County, as of and for the year ended June 30, 2007, which collectively comprises the District's basic financial statements and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings as 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 12, 2008.

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

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



STEYER & CO.
Certified Public Accountants

Defiance, Ohio
December 12, 2008

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

June 30, 2007

**2007-1 Material Weakness
Financial Reporting**

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. The District also applies Financial Accounting Standard Board (FASB) statements and interpretations on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Accordingly the District has adopted GASB Statement 34 *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*.

During the course of our audit, we determined that numerous material errors were present in the District-prepared financial statements. These material errors affected the General Fund, and Other Governmental Funds. These material differences dealt with accounting calculations leading to improper presentation in the financial statements. A total of 19 audit adjustments were necessary to accurately present the financial statements as a whole.

To ensure the District's financial statements and notes to the statements are completed and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer, to identify and correct errors and omissions.

Management's Response:

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

**2007-2 Significant Deficiency
Financial Reporting**

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

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

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

Management's Response:

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

**PETTISVILLE LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 June 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Action Taken
2006-1	Material Weakness Ohio Revised Code §5705.39 Appropriations exceeded total estimated resources	No	Not Corrected. Included in report to management since variance is insignificant.



Mary Taylor, CPA
Auditor of State

PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 19, 2009