



Dave Yost • Auditor of State



**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pettisville Local School District, Fulton County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General fund for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 3.B to the financial statements, during 2013, the District changed the classification of certain governmental funds. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion and Analysis* includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting

or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 26, 2014

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**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The discussion and analysis of the financial performance of Pettisville Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

In total, net position increased \$58,576.

General revenues accounted for \$4,059,035 or 63 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$2,372,883 or 37 percent of total revenues of \$6,431,918.

The District's major funds include the General Fund, the Classroom Facilities Fund, and the Wind Turbine Project Fund.

The General Fund had \$4,503,440 in revenues and other financing sources and \$4,544,333 in expenditures. The General Fund's balance decreased \$40,893 from the prior fiscal year.

The Classroom Facilities Fund had \$2,389 in revenues and \$115,195 in expenditures. The Classroom Facilities Fund's balance decreased \$112,806 from the prior fiscal year.

The Wind Turbine Project Fund had \$729,043 in revenues and \$513,631 in expenditures. The Wind Turbine Project Fund's balance increased \$215,412 from the prior fiscal year.

**Using the Basic Financial Statements**

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

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

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

**Reporting the District as a Whole**

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities, both reported on the cash basis, reflect how the District did financially during fiscal year 2013. These statements are reported on a cash basis of accounting which reflects receipts and disbursements when cash is received or disbursed.

These statements report the District's net position and changes in the position. This change in net position 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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
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(CONTINUED)**

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 cash basis statement of net position and the statement of activities, the District discloses a single type of activity, its governmental activities which includes all of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**Reporting the District's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Classroom Facilities Fund, and the Wind Turbine Project Fund.

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 yearend for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund financial 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.

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 cash basis of accounting.

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012.

**Table 1  
Net Position  
Governmental Activities**

	2013	2012
<b><u>Assets:</u></b>		
Current and Other Assets	\$3,709,939	\$3,651,363
<b><u>Net Position:</u></b>		
Restricted for Debt	150,135	141,138
Restricted for Capital Outlay	2,016,622	1,901,701
Restricted for Other Purposes	170,515	380,688
Unrestricted	1,372,667	1,227,836
Total	\$3,709,939	\$3,651,363

As mentioned previously, net position of governmental activities increased \$58,576 or 2% during 2013.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(CONTINUED)**

Table 2 reflects the changes in net position for fiscal year 2013.

**Table 2  
Change in Net Position**

<b>Revenues:</b>	<b>2013</b>	<b>2012</b>
Program Revenues:		
Charges for Services and Sales	\$1,297,689	\$1,361,447
Operating Grants and Contributions	346,282	353,191
Capital Grants and Contributions	728,912	575,000
Total Program Revenues	<u>2,372,883</u>	<u>2,289,638</u>
General Revenues:		
Property Taxes	1,451,865	1,429,581
Income Taxes	451,076	470,707
Grants and Entitlements	2,040,594	2,132,097
Interest	5,506	12,822
Gifts and Donations	24,518	10,481
Miscellaneous	85,376	5,785
Proceeds from Sale of Capital Assets	100	417
Insurance Recoveries		3,298
Total General Revenues	<u>4,059,035</u>	<u>4,065,188</u>
Total Revenues	<u>6,431,918</u>	<u>6,354,826</u>
<b>Expenses:</b>		
Instruction	2,949,451	2,928,051
Support Services:		
Pupils	95,844	100,603
Instructional Staff	97,171	165,675
Board of Education	15,592	15,134
Administration	509,068	503,774
Fiscal	237,680	204,546
Business	872	993
Operation and Maintenance of Plant	498,350	509,844
Pupil Transportation	243,642	216,811
Central	48,234	50,153
Non-Instructional	230,347	236,456
Extracurricular Activities	380,970	333,061
Capital Outlay	740,287	7,591,503
Principal	120,000	105,000
Interest and Fiscal Charges	205,834	226,352
Total Expenses	<u>6,373,342</u>	<u>13,187,956</u>
Increase/(Decrease) in Net Assets	58,576	(6,833,130)
Net Position at Beginning of Year	<u>3,651,363</u>	<u>10,484,493</u>
Net Position at End of Year	<u>\$3,709,939</u>	<u>\$3,651,363</u>

Program receipts account for 37 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 46 percent of all governmental disbursements. Capital outlay represents 12 percent of disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 7 percent of

**PETTISVILLE LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
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(CONTINUED)**

governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 8 percent. The remaining 27 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Total revenues increased \$77,092 (1 percent) and expenses decreased \$6,814,614 (52 percent). The decrease in expenditures was a result of paying the remaining obligations in 2012 for the construction of the District's new building.

**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**

	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2013</b>	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>
Instruction	\$2,949,451	\$1,712,371	\$2,928,051	\$1,743,715
Support Services:				
Pupils	95,844	95,844	100,603	100,603
Instructional Staff	97,171	70,155	165,675	144,514
Board of Education	15,592	15,592	15,134	15,134
Administration	509,068	503,183	503,774	359,043
Fiscal	237,680	237,680	204,546	204,546
Business	872	872	993	993
Operation and Maintenance of Plant	498,350	487,220	509,844	498,714
Pupil Transportation	243,642	243,642	216,811	216,811
Central	48,234	48,234	50,153	50,153
Non-Instructional	230,347	(7,262)	236,456	(5,137)
Extracurricular Activities	380,970	255,719	333,061	221,374
Capital Outlay	740,287	11,375	7,591,503	7,016,503
Principal	120,000	120,000	105,000	105,000
Interest and Fiscal Charges	205,834	205,834	226,352	226,352
Total Expenses	<u>\$6,373,342</u>	<u>\$4,000,459</u>	<u>\$13,187,956</u>	<u>\$10,898,318</u>

Table 3 shows the dependence upon tax revenues and unrestricted state entitlements is apparent. Over 58 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenue is 63 percent. The remaining 37 percent is derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General Fund, the Classroom Facilities Fund, and the Wind Turbine Project Fund. Total governmental funds had revenues and other financing sources of \$6,431,918 and expenditures of \$6,373,342. The net change in fund balance in the General fund reflects a decrease of \$40,893. This was primarily due to overall

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
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(CONTINUED)**

receipts exceeding overall expenditures. The net change in fund balance in the Classroom Facilities fund was a decrease of \$112,806. This was due to capital outlay expenditures for the construction of the new school buildings. The net change in fund balance in the Wind Turbine Project fund was an increase of \$215,412. This was due to intergovernmental receipts exceeding the capital outlay expenditures for the wind turbine construction project.

**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 2013, the District amended its General Fund budget as needed.

Final estimated revenues and other financing sources exceeded original estimated resources by \$45,548 (1 percent). The variance between final estimated revenues and actual was \$122,023 (less than 3 percent).

Final budget expenditures were greater than original budget expenditures by \$228,253 (5 percent). Final expenditures were less than final actual expenditures by \$253,834 (5 percent).

**Debt Administration**

At June 30, 2013, the District had \$5,225,989 in school improvement general obligation bonds (serial, term, and capital appreciation), qualified school construction bonds, and special waterline assessment note for construction and building improvements.

The school improvement general obligation bonds were issued in the amount of \$4,830,000 for a twenty-eight year period, with final maturity on December 1, 2036. The bonds are being retired through the Bond Retirement fund.

The qualified school construction bonds were issued in the amount of \$625,000 for a fifteen year period, with final maturity on December 1, 2026. The bonds are being retired through the Bond Retirement fund.

The special waterline assessment note was issued in the amount of \$26,845 for a twenty year period, with final maturity in fiscal year 2014. The note is being retired through the General Fund.

At June 30, 2013, the District's overall legal debt margin was (\$1,034,944), with an un-voted debt margin of \$45,990.

For further information regarding the District's long-term obligations, refer to Note 12 to the basic financial statements.

**Current Issues**

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

The District is currently operating in the first year of the state biennium budget. 60 percent of District revenue sources are from local fund, 36 percent is from state funds and the remaining 4 percent is from federal funds (excluding ARRA Wind Grant). The total expenditure per pupil was calculated at \$8,862.

In 2008, the District passed a continuing 1 percent income tax. 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 and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
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In November, 2008, the District passed a 7.86 mill bond levy to generate funds toward the building of a new K-12 facility through the Ohio School Facilities Commission. The local dollars generated make up a match of 18% of the total cost of \$21,410,094. There are additional locally funded initiatives in the amount of \$976,000. The construction of the facility is complete and the students have completed two years in the new state-of-the-art facility. The facility was recently awarded a gold Leadership in Energy and Environmental Design (LEED) rating.

In the spring of 2013, the construction of a 750 Kw wind turbine was completed on the school campus. This turbine construction was completed with funds provided by a Federal ARRA grant, a State Capital Grant and local funds. The turbine is expected to supply most, if not all, of the District's electrical needs.

**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, 232 Summit Street, PO Box 53001, Pettisville, Ohio 43553.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>3,709,939</u></u>
<b>Net Position:</b>	
Restricted for Debt Service	150,135
Restricted for Capital Outlay	2,016,622
Restricted for Other Purposes	170,515
Unrestricted	<u>1,372,667</u>
<i>Total Net Position</i>	\$ <u><u>3,709,939</u></u>

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net(Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 2,389,082	\$ 1,007,284	\$ 137,572	\$ (1,244,226)
Special	286,822		87,301	(199,521)
Vocational	223,498		4,923	(218,575)
Adult/Continuing	292			(292)
Other	49,757			(49,757)
Support Services:				
Pupils	95,844			(95,844)
Instructional Staff	97,171		27,016	(70,155)
Board of Education	15,592			(15,592)
Administration	509,068		5,885	(503,183)
Fiscal	237,680			(237,680)
Business	872			(872)
Operation and Maintenance of Plant	498,350		11,130	(487,220)
Pupil Transportation	243,642			(243,642)
Central	48,234			(48,234)
Operation of Non-Instructional Services	230,347	165,154	72,455	7,262
Extracurricular Activities	380,970	125,251		(255,719)
Capital Outlay	740,287		\$ 728,912	(11,375)
Debt Service:				
Principal	120,000			(120,000)
Interest and Fiscal Charges	205,834			(205,834)
<b>Totals</b>	<b>\$ 6,373,342</b>	<b>\$ 1,297,689</b>	<b>\$ 346,282</b>	<b>\$ 728,912</b>
<b>General Revenues:</b>				
Taxes:				
Property Taxes, Levied for General Purposes				1,026,957
Property Taxes, Levied for Capital Outlay				110,204
Property Taxes, Levied for Debt Service				296,695
Property Taxes, Levied for Other				18,009
Income Taxes				451,076
Grants and Entitlements not Restricted to Specific Programs				2,040,594
Gifts and Donations				24,518
Investment Earnings				5,506
Miscellaneous				85,376
Proceeds from Sale of Capital Assets				100
<b>Total General Revenues</b>				<b>4,059,035</b>
<b>Change in Net Position</b>				<b>58,576</b>
<b>Net Position Beginning of Year</b>				<b>3,651,363</b>
<b>Net Position End of Year</b>				<b>\$ 3,709,939</b>

See Accompanying Notes to the Basic Financial Statements



PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Classroom Facilities Fund	Wind Turbine Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,372,667</u>	\$ <u>1,443,471</u>	\$ <u>275,913</u>	\$ <u>617,888</u>	\$ <u>3,709,939</u>
<b>Fund Balances:</b>					
Restricted		\$ 1,443,471	\$ 275,913	\$ 644,952	\$ 2,364,336
Assigned	\$ 74,535				74,535
Unassigned (Deficit)	<u>1,298,132</u>			<u>(27,064)</u>	<u>1,271,068</u>
<i>Total Fund Balances</i>	\$ <u>1,372,667</u>	\$ <u>1,443,471</u>	\$ <u>275,913</u>	\$ <u>617,888</u>	\$ <u>3,709,939</u>

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Wind Turbine Project Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Property and Other Local Taxes	\$ 1,026,957			\$ 424,908	\$ 1,451,865
Income Tax	451,076				451,076
Intergovernmental	2,010,096		\$ 728,912	376,780	3,115,788
Interest	2,432	\$ 2,389	131	554	5,506
Tuition and Fees	1,007,284				1,007,284
Extracurricular Activities	3,568			121,683	125,251
Gifts and Donations				24,518	24,518
Customer Sales and Services				165,154	165,154
Miscellaneous	1,927			83,449	85,376
<i>Total Receipts</i>	<u>4,503,340</u>	<u>2,389</u>	<u>729,043</u>	<u>1,197,046</u>	<u>6,431,818</u>
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular	2,282,180			106,902	2,389,082
Special	197,479			89,343	286,822
Vocational	223,498				223,498
Adult/Continuing	292				292
Other	49,757				49,757
Support Services:					
Pupils	95,844				95,844
Instructional Staff	56,763			40,408	97,171
Board of Education	15,592				15,592
Administration	502,488			6,580	509,068
Fiscal	227,214			10,466	237,680
Business	872				872
Operation and Maintenance of Plant	378,824			119,526	498,350
Pupil Transportation	243,642				243,642
Central	48,234				48,234
Operation of Non-Instructional Services				230,347	230,347
Extracurricular Activities	221,654			159,316	380,970
Capital Outlay		115,195	513,631	111,461	740,287
Debt Service:					
Principal				120,000	120,000
Interest				205,834	205,834
<i>Total Disbursements</i>	<u>4,544,333</u>	<u>115,195</u>	<u>513,631</u>	<u>1,200,183</u>	<u>6,373,342</u>
Excess of Receipts Over (Under) Disbursements	<u>(40,993)</u>	<u>(112,806)</u>	<u>215,412</u>	<u>(3,137)</u>	<u>58,476</u>
<b>Other Financing Sources:</b>					
Proceeds from Sale of Capital Assets	100				100
<i>Net Change in Fund Balances</i>	<u>(40,893)</u>	<u>(112,806)</u>	<u>215,412</u>	<u>(3,137)</u>	<u>58,576</u>
Fund Balances at Beginning of Year - Restated	1,413,560	1,556,277	60,501	621,025	3,651,363
<i>Fund Balances at End of Year</i>	<u>\$ 1,372,667</u>	<u>\$ 1,443,471</u>	<u>\$ 275,913</u>	<u>\$ 617,888</u>	<u>\$ 3,709,939</u>

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 1,010,805	\$ 1,026,957	\$ 1,026,957	
Income Tax	460,000	460,000	451,076	(8,924)
Intergovernmental	2,029,734	2,054,698	2,010,096	(44,602)
Interest	2,600	2,600	2,156	(444)
Tuition and Fees	1,072,182	1,072,687	1,007,284	(65,403)
Rent	150	150		(150)
Gifts and Donations		2,500		(2,500)
Miscellaneous	600	1,927	1,927	
<i>Total Receipts</i>	<u>4,576,071</u>	<u>4,621,519</u>	<u>4,499,496</u>	<u>(122,023)</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	2,308,095	2,282,716	2,281,185	1,531
Special	218,096	211,860	197,668	14,192
Vocational	217,973	229,014	224,955	4,059
Adult/Continuing	214	314	292	22
Other	9,300	49,757	49,757	
Support Services:				
Pupils	99,768	121,764	95,844	25,920
Instructional Staff	131,407	142,399	55,415	86,984
Board of Education	15,620	18,251	15,677	2,574
Administration	485,603	511,269	503,834	7,435
Fiscal	195,063	244,106	233,745	10,361
Business	1,040	1,080	872	208
Operation and Maintenance of Plant	434,801	452,070	381,467	70,603
Pupil Transportation	239,458	298,181	273,450	24,731
Central	50,226	50,226	48,234	1,992
Extracurricular Activities	200,445	222,355	219,133	3,222
<i>Total Disbursements</i>	<u>4,607,109</u>	<u>4,835,362</u>	<u>4,581,528</u>	<u>253,834</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(31,038)</u>	<u>(213,843)</u>	<u>(82,032)</u>	<u>131,811</u>
<b>Other Financing Sources:</b>				
Proceeds from Sale of Capital Assets		100	100	
<i>Net Change in Fund Balance</i>	<u>(31,038)</u>	<u>(213,743)</u>	<u>(81,932)</u>	<u>131,811</u>
Fund Balance at Beginning of Year	1,172,032	1,172,032	1,172,032	
Prior Year Encumbrances Appropriated	35,059	35,059	35,059	
<i>Fund Balance at End of Year</i>	<u>\$ 1,176,053</u>	<u>\$ 993,348</u>	<u>\$ 1,125,159</u>	<u>\$ 131,811</u>

See Accompanying Notes to the Basic Financial Statements

PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>656</u>	\$ <u>64,964</u>
<b>Liabilities:</b>		
Current Liabilities:		
Undistributed Monies		\$ <u>64,964</u>
<b>Net Position:</b>		
Held in Trust for Scholarships	\$ <u>656</u>	

See Accompanying Notes to the Basic Financial Statements

PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

See Accompanying Notes to the Basic Financial Statements

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Pettisville Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Pettisville Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's one instructional/support facility staffed by 23 non-certified and 39 certified full-time teaching personnel who provide services to 519 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. For 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 Health Plan Employee Insurance Benefits Program, Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, Schools of Ohio Risk Sharing Authority, and the Pettisville School Foundation. These organizations are presented in Notes 15, 16, and 17 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**1. Government-Wide Financial Statements**

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

**2. Fund Financial Statements**

During the fiscal 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 report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The District's major governmental funds are the General Fund, Classroom Facilities Fund, and the Wind Turbine Project Fund.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for the revenues and expenditures related to the construction of the new school building.

Wind Turbine Project Fund - The Wind Turbine Project Fund is used to account for the revenues and expenditures related to the construction of the wind turbine.

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

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency 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 not available to support the District's own programs. The District's private purpose trust fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

**C. Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. 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



**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

selected by the Board. The legal level of budgetary control selected by the Board is at the fund and object level for the General Fund and the fund and special cost center for all other funds.

Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal 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.

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

**E. 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."

During fiscal year 2013, the District had no investments.

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 2013 amounted to \$2,432, which includes \$1,668 assigned from other funds.

**F. Inventory**

The District reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**H. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-term Obligations**

These District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**K. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**L. Net Position**

Net position 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. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

**M. Fund Balance**

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

**Nonspendable** - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND EQUITY**

- A, For 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.
- B, Governmental Accounting Standards Board, Statement 54, Fund Balance Reporting and Governmental Fund Type set the definition of special revenue funds. The Meister Estate Trust fund and the S.I.G. Donation fund did not meet this definition. This change had the following effect on fund balances at June 30, 2012;

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Fund Balance at June 30, 2012	\$1,227,836	\$806,749
Fund reclassification	185,724	(185,724)
Fund Balance at July 1, 2012, Restated	\$1,413,560	\$621,025

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances treated as cash disbursements (budgetary basis) rather than as a restricted, committed, or assigned fund balance (cash basis) and certain funds included in the General Fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile to cash basis statements to the budget basis statements for the General Fund:

<b>Net Change in Fund Balance</b>	<b>General Fund</b>
Cash Basis (as reported)	(\$40,893)
Outstanding Encumbrances	(44,162)
Perspective Difference:	
Activity of Funds Reclassified for Cash	3,123
Basis Reporting Purposes	
Budgetary Basis	(\$81,932)

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

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

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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;
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 to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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. Bankers' acceptances and commercial paper, if trading requirements have been met.

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 made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand**

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

At June 30, 2013, the carrying amount of all District deposits was \$3,775,559. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$3,484,822 of the District's bank balance of \$3,815,888 was exposed to custodial risk as discussed below, while \$331,066 was covered by Federal Deposit Insurance Corporation.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will 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 be 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.

**Investments**

As of June 30, 2013, the District had no investments.

**Reconciliation of Cash to the Statement of Net Position**

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net position as of June 30, 2013:

<u>Cash per footnote</u>	
Carrying Amount of Deposits	\$3,775,559
<u>Cash per Statement of Net Position</u>	
Governmental Activities	\$3,709,939
Private Purpose Trust funds	656
Agency funds	64,964
Total	\$3,775,559

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real and public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes for 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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.

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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<b>2012 Second- Half Collections</b>		<b>2013 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$40,208,070	87%	\$40,096,530	88%
Industrial/Commercial	3,230,390	7%	3,207,670	7%
Public Utility Personal Property	2,552,130	6%	2,476,890	5%
Total Assessed Value	\$45,990,590	100%	\$45,781,090	100%
Tax rate per \$1,000 of assessed valuation	\$61.86		\$61.86	

**7. INCOME TAXES**

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2009, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. 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.

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Coverage provided by Schools of Ohio Risk Sharing Authority:

General Liability	
Bodily Injury & Property Damage	\$15,000,000
Personal Injury/Advertising Liability	15,000,000
Products/Completed Operations	15,000,000
Employee Benefits Liability	15,000,000
Employers Stop Gap Liability	
Bodily Injury by Accident (each accident)	2,000,000
Bodily Injury by Disease (policy limit)	2,000,000
Bodily Injury by Disease (each employee)	2,000,000
Aggregate Limit	2,000,000
General Annual Aggregate	17,000,000
Fire Legal Liability	500,000
Medical Payments Occurrence/Aggregate	5,000/25,000
Educators' Legal Liability	
Wrongful Acts (\$1,000 deductible)	12,000,000
Automobile Liability:	
Bodily Injury & Property Damage	12,000,000
Medical Payments Occurrence/Aggregate	10,000/25,000
Uninsured/Underinsured Motorist	1,000,000
Automobile Physical Damage:	
(\$250 Deductible)	Actual Cash Value
Garage Keepers Physical Damage:	
(\$250 Deductible)	Actual Cash Value (\$100,000 Maximum)
Property:	
Building & Business Personal Property	
Limit Including Property Extensions	29,109,012
Earth Movement Limit	2,000,000
(\$50,000 Deductible)	
Flood Limit	2,000,000
(\$50,000 Deductible)	
Equipment Breakdown:	50,000,000
CFC Refrigerants	250,000
Hazardous Substance Contamination	250,000
Spoilage	250,000
Expediting Expenses	250,000
Crime Coverage:	
Employee Dishonesty Including Faithful	
Performance of Duty	100,000
Forgery or Alteration	100,000
Computer Fraud	100,000
Theft, Disappearance & Destruction	100,000

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



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**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of the Optimal Health Initiative (OHI) Consortium, a self insurance pool, for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, 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 Health Plan (NBHP), Northern Division of the Optimal Health Initiative (OHI) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

**9. DEFINED PENSION BENEFIT PLANS**

**A. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options- New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP) and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years or service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP.

The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age

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fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$351,185, \$345,012, and \$318,540, respectively; 84 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. School Employee Retirement System**

Plan Description - 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. That report can be obtained on SERS' website [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$111,339, \$118,837, and \$114,494, respectively; 89 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

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**10. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$27,014, \$24,644, and \$22,752, respectively; 84 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. School Employees Retirement System**

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.

**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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. 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 2013, the actuarially required allocation was 0.74%. The District's contributions for the year ended June 30, 2013, 2012, and 2011 were \$6,289, \$6,366, and \$6,215, respectively ; 89 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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, Medicare Advantage 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.

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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 105(e). 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. For the year ended June 30, 2013, the health care allocation was 0.16%. An additional 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 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012 and 2011 were \$10,719, \$4,669 and \$14,028, respectively; 11 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011..

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.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) Employers/Audit Resources.

**11. COMPENSATED ABSENCES**

**A. 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.

**B. Health Care Benefits**

The District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Health Plan, NW Division of the Optimal Health Initiatives (OHI) Consortium.

**12. LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2013 were as follows:

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	<u>Balance at 06/30/12</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/13</u>	<u>Amount Due In one Year</u>
Special Waterline Assessment	\$2,015		\$1,342	\$673	\$673
General Obligation Bonds					
Qualified School Construction Bonds	625,000			625,000	
School Facilities Improvement Bonds					
Serial Bonds 2.5 – 3.7%	790,000		120,000	670,000	120,000
Term Bonds 4.3 – 5.0%	3,785,000			3,785,000	
Capital Appreciation Bonds	115,235	\$30,081		145,316	
Total General Obligation Bonds	<u>\$5,317,250</u>	<u>\$30,081</u>	<u>\$121,342</u>	<u>\$5,225,989</u>	<u>\$120,673</u>

Special Waterline Assessment Loan – In 1993, the District was assessed for waterlines in the amount of \$26,845. The assessment is for 20 years, with final maturity during fiscal year 2014. The assessment is being retired from the General Fund, with current interest rate of 5.40 percent.

Qualified School Construction Bond – Proceeds from the bond was used for the purpose of constructing a wind turbine. The bond was issued on March 1, 2012 with an interest rate of 5.57 percent. The bond will mature on December 1, 2026.

School Facilities Improvement Bonds – Proceeds from the outstanding bonds were used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities at the high school. These bonds were issued on March 17, 2009. The bonds consisted of \$4,805,000 in current interest bonds (\$1,020,000 issued as serial bonds and \$3,785,000 issued as term bonds) and \$25,000 in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates.

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$120,000	3.00%
2014	125,000	3.00%
2015	135,000	3.00%
2018	145,000	3.50%
2019	145,000	3.70%

The current interest term bonds which mature on December 1, 2024, have an interest rate of 4.30 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2020	\$150,000
2021	160,000
2022	165,000
2023	170,000

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The remaining principal amount of such current interest term bonds (\$180,000) will be paid at stated maturity on December 1, 2024.

The current interest term bonds which mature on December 1, 2029, have an interest rate of 4.875 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2025	\$185,000
2026	195,000
2027	205,000
2028	215,000

The remaining principal amount of such current interest term bonds (\$225,000) will be paid at stated maturity on December 1, 2029.

The current interest term bonds which mature on December 1, 2036, have an interest rate of 5.00 percent per year, and are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2030	\$235,000
2031	250,000
2032	260,000
2033	275,000
2034	290,000
2035	305,000

The remaining principal amount of such current interest term bonds (\$320,000) will be paid at stated maturity on December 1, 2036.

The capital appreciation bonds were issued in the aggregate original principal amount of \$25,000 and mature on January 15 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date (December 1)</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2016	\$14,335	\$140,000
2017	10,665	140,000

The value of the capital appreciation bonds reported at June 30, 2013 was \$145,316. The annual accretion of interest is based on the straight-line method, which approximates the equity interest method. Total accreted interest of \$120,316 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

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Total expenditures for interest for the period ended June 30, 2013 was \$205,834.

The scheduled payments of principal and interest on debt outstanding at June 30, 2013 are as follows:

**Special Waterline Assessment Loan**

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$673</u>	<u>\$38</u>	<u>\$711</u>

**General Obligation Bonds**

<u>Year Ending June 30,</u>	<u>Serial</u>	<u>Term</u>	<u>Capital</u>	<u>Construction Bonds</u>	<u>Interest</u>	<u>Total</u>
2014	\$120,000				\$237,037	\$357,037
2015	125,000				233,371	358,371
2016	135,000				229,472	364,472
2017			\$77,167		290,279	367,447
2018			68,149		299,298	367,446
2019-2023	290,000	\$475,000			1,065,623	1,830,623
2024-2028		935,000		\$625,000	828,900	2,388,900
2029-2033		1,185,000			450,818	1,635,818
2034-2037		1,190,000			122,750	1,312,750
Total	<u>\$670,000</u>	<u>\$3,785,000</u>	<u>\$145,316</u>	<u>\$625,000</u>	<u>\$3,757,548</u>	<u>\$8,982,864</u>

**13. 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 2008, the District entered into a lease agreement for a postage meter. During fiscal year 2013, the District had expenditures of \$600 for the operating lease.

The following schedule is of future minimum lease payments as of June 30, 2013.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	<u>\$50</u>

**14. 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 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.

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	<b>Capital Acquisition</b>
Current Year Set-aside Requirement	\$90,544
Current Year Offsets	(157,947)
Total	\$(67,403)

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities 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 educational entities. The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2013, the District paid \$106,484 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams and Wood 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 six 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. Financial information can be obtained from the Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502

**C. Four County Career Center**

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.



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**16. GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan, Northwest Division of the Optimal Health Initiative Consortium (OHI), is a public entity shared risk pool consisting of educational entities throughout the state (the Pool). The Pool is governed by OHI and its participating members. The District contributed a total of \$344,835 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, OH 45242.

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

The District participates in a group-rating plan for workers' compensation as established under §4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan, Northwest Division of OHI Workers' Compensation Group Rating Plan (WCGRP) was established through the OHI as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. The OHI has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

OHI has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$586 to WCGRP to cover the costs of administering the program.

**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 pool. The Board of Directors consists of Superintendents, Treasurers, or Business Managers from the participating school districts. The insurance brokerage firm of Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing and consulting services. The Frank Gates Service Company provides insurance claims settlement and adjustment services. Financial information can be obtained from SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

**17. 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

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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 53111, Pettisville, Ohio 43553.

**18. 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, 2013.

**B. Litigation**

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

**19. FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Classroom Facilities Fund</u>	<u>Wind Turbine Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:					
Regular Instruction				\$8,145	\$8,145
Athletics				111,268	111,268
Food Service Operations				16,093	16,093
Facilities Maintenance				62,073	62,073
Debt Retirement				150,135	150,135
Permanent Improvement				297,238	297,238
Building Construction		\$1,443,471	\$275,913		1,719,384
<b>Total Restricted</b>		<b>1,443,471</b>	<b>275,913</b>	<b>644,952</b>	<b>2,364,336</b>
Assigned for:					
Educational Activities	\$18,692				18,692
Special Projects Trust					
Unpaid Obligations (encumbrances)	37,940				37,940
Budget Stabilization	17,903				17,903
<b>Total Assigned</b>	<b>74,535</b>				<b>74,535</b>
Unassigned (Deficit)	1,298,132			(27,064)	1,271,068
<b>Total Fund Balance</b>	<b>\$1,372,667</b>	<b>\$1,443,471</b>	<b>\$275,913</b>	<b>\$617,888</b>	<b>\$3,709,939</b>

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**20. ACCOUNTABILITY**

At June 30, 2013, Title I and REAP special revenue funds, had deficit fund balances of, \$6,626 and \$20,438, respectively, resulting from the funds being reimbursement grants.

**21. SUBSEQUENT EVENT**

On July 10, 2013, the District accepted the bid of \$579,100 from Mac Athletics for the South Fields Project. The project involves work to be completed on the softball, soccer, and pony league fields.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting policies. We also noted the District changed the classification of certain governmental funds during 2013.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 26, 2014

**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Administrative Code § 117-2-03(B)** which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District. As such, we recommend the District prepare its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

**FINDING NUMBER 2013-002**

**Material Weakness – Financial Reporting**

Governmental Accounting Standards Board (GASB) Statement No. 54 clarifies governmental fund type definitions.

The "General Fund" should be used to account for and report all financial resources not accounted for and reported in another fund.

"Special Revenue Funds" are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

The District reported the Meister Estate Trust fund (007-90000) and S.I.G. Donation fund (007-9007) as special revenue funds. However, the foundational revenues of these funds had no donor restrictions, nor did the Board formally commit the monies for a specific purpose. As such, these funds did not meet the definition of a special revenue fund and should be reported as part of the General Fund. Adjustments have been posted to move the revenues (\$276), expenditures (\$1,348), and fund balances (\$184,652) from the All Other Governmental Funds column to the General Fund column.

In order to ensure the District's governmental funds are reported in accordance with GASB 54, we recommend the District review Auditor of State Bulletin 2011-004.

**Officials' Response:**

We did not receive a response from officials to this finding.

**FINDING NUMBER 2013-003**

**Material Weakness – Failure To Record On-Behalf Grant Activity**

Auditor of State Bulletin 2000-08 requires that when an entity enters into an "on-behalf-of" program with another government whereby the entity is the beneficiary under the agreement, the cash value benefit of the program should be recorded as memorandum receipts and disbursements in the year the "on-behalf-of" payments are made. Government Accounting Standard Board (GASB) Statement #24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, provides accounting and financial reporting for certain grants and other financial assistance including pass-through grants. Pass-through grants are grants that are received by a primary recipient and transferred to or "spent on behalf of" a secondary recipient.

The Northwest Ohio Educational Service Center (ESC) expended Preschool Disabilities (\$5,609) and IDEA Part-B (\$81,691) grant monies on behalf of the District in 2013. The District did not record these grant monies. As such, receipts and expenditures were understated by \$87,300. These amounts were adjusted to the District's financial statements for 2013.

We recommend the District follow the guidelines of Auditor of State Bulletin 2000-008, which describes the proper accounting treatment for "on-behalf-of" programs and post all "on-behalf of" grant monies to the District's financial ledgers.

**Officials' Response:**

We did not receive a response from officials to this finding.



**PETTISVILLE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2013-001 in this report.
2012-002	Significant Deficiency due to financial statement and footnote disclosure errors.	Yes	
2012-003	Significant Deficiency due to lack of segregation of duties in the payroll area.	No	Partially corrected. Reissued in the management letter.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Pettisville Local School District, Fulton County, Ohio (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on June 11, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 26, 2014

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# Dave Yost • 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 13, 2014**