



Dave Yost • Auditor of State

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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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
P.O. Box 53001
232 Summit Street
Pettisville, Ohio 43553

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis 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 years ended June 30, 2015 and 2014, 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, 2015 and 2014, and the respective changes in cash financial position and the budgetary comparisons for the General fund for the years 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 for each respective fiscal year, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to the Management's Discussion and Analysis presented as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2016, 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.



Dave Yost
Auditor of State

Columbus, Ohio

May 3, 2016

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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, 2015. 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 2015 are as follows:

In total, net position decreased \$127,039.

General receipts accounted for \$4,175,977 or 70 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$1,768,726 or 30 percent of total receipts of \$5,944,703.

The District's major funds include the General Fund and the Classroom Facilities Fund.

The General Fund had \$4,814,871 in receipts and other financing sources and 4,798,407 in expenditures. The General Fund's balance increased \$16,464 from the prior fiscal year.

The Classroom Facilities Fund had \$1,647 in receipts and \$51,713 in expenditures. The Classroom Facilities Fund's balance decreased \$50,066 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 and the Classroom Facilities 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 2015. 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 those assets. 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 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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

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 receipts and from intergovernmental receipts, including federal and state grants and other shared receipts.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

The District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2015 compared to fiscal year 2014.

**Table 1
Net Position
Governmental Activities**

	2015	2014
<u>Assets:</u>		
Current and Other Assets	\$2,843,344	\$2,970,383
<u>Net Position:</u>		
Restricted for Debt	\$198,019	\$162,485
Restricted for Capital Outlay	1,415,196	1,605,871
Restricted for Other Purposes	116,638	110,650
Unrestricted	1,113,491	1,091,377
Total	\$2,843,344	\$2,970,383

As mentioned previously, net position of governmental activities decreased \$127,039 or 4 percent during 2015.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

Table 2 reflects the changes in net position for fiscal year 2015.

**Table 2
Change in Net Position**

Receipts:	2015	2014
Program Receipts:		
Charges for Services and Sales	\$1,428,764	\$1,383,244
Operating Grants, Contributions and Interest	339,962	319,877
Total Program Receipts	<u>1,768,726</u>	<u>1,703,121</u>
General Receipts:		
Property Taxes	1,563,018	1,455,358
Income Taxes	508,396	488,056
Grants and Entitlements	2,048,546	2,032,927
Interest	3,549	3,959
Gifts and Donations		4,495
Miscellaneous	20,646	32,152
Insurance Recoveries	559	
Refund of Prior Year Disbursements	31,263	36,402
Total General Receipts	<u>4,175,977</u>	<u>4,053,349</u>
Total Receipts	<u>5,944,703</u>	<u>5,756,470</u>
Disbursements:		
Instruction	2,994,156	2,973,551
Support Services:		
Pupils	197,289	190,788
Instructional Staff	124,133	110,723
Board of Education	14,397	13,941
Administration	511,891	500,918
Fiscal	214,069	232,483
Business	1,076	1,144
Operation and Maintenance of Plant	517,065	427,965
Pupil Transportation	218,444	307,629
Central	56,222	60,134
Non-Instructional	226,947	225,695
Extracurricular Activities	421,957	903,873
Facilities Acquisition and Construction Services	248,058	199,450
Debt Service:		
Principal	125,000	120,000
Interest and Fiscal Charges	201,038	205,000
Refund of Prior Year Receipts		22,732
Total Disbursements	<u>6,071,742</u>	<u>6,496,026</u>
Decrease in Net Assets	(127,039)	(739,556)
Net Position at Beginning of Year	<u>2,970,383</u>	<u>3,709,939</u>
Net Position at End of Year	<u>\$2,843,344</u>	<u>\$2,970,383</u>

Program receipts account for 30 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

The major program disbursements for governmental activities are for instruction, which accounts for 49 percent of all governmental disbursements. Extracurricular activities represent 7 percent of disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 9 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 9 percent. The remaining 26 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 receipts increased \$188,233 (3 percent) and disbursements decreased \$424,284 (7 percent). The increase in receipts was due to the increase in property tax receipts. The decrease in expenditures was a result of the South Athletic Fields Project in fiscal year 2014.

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 receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$2,994,156	\$1,636,401	\$2,973,551	\$1,643,157
Support Services:				
Pupils	197,289	191,714	190,788	185,218
Instructional Staff	124,133	71,571	110,723	110,723
Board of Education	14,397	14,397	13,941	13,941
Administration	511,891	511,891	500,918	500,918
Fiscal	214,069	214,069	232,483	232,483
Business	1,076	1,076	1,144	1,144
Operation and Maintenance of Plant	517,065	503,427	427,965	416,189
Pupil Transportation	218,444	218,444	307,629	307,629
Central	56,222	56,222	60,134	60,134
Non-Instructional	226,947	11,277	225,695	1,815
Extracurricular Activities	421,957	298,431	903,873	772,372
Facilities Acquisition and Construction Service	248,058	248,058	199,450	199,450
Debt Service:				
Principal	125,000	125,000	120,000	120,000
Interest and Fiscal Charges	201,038	201,038	205,000	205,000
Refund of Prior Year Receipts			22,732	22,732
Total Disbursements	<u>\$6,071,742</u>	<u>\$4,303,016</u>	<u>\$6,496,026</u>	<u>\$4,792,905</u>

Table 3 shows the dependence upon tax receipts and unrestricted state entitlements is apparent over 54 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general revenue is 71 percent. The remaining 29 percent is derived from tuition and fees, specific grants, and donations.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

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 and the Classroom Facilities Fund. Total governmental funds had receipts and other financing sources of \$5,944,703 and disbursements of \$6,071,742. The net change in fund balance in the General fund reflects an increase of \$16,464. This was primarily due to overall receipts exceeding overall disbursements. The net change in fund balance in the Classroom Facilities fund was a decrease of \$50,066. This was due to capital outlay expenditures for the construction on the new school building.

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 2015, the District amended its General Fund budget as needed.

Final estimated receipts exceeded original estimated resources by \$239,001 (5 percent). The variance between final estimated receipts and actual was \$427,177 (8 percent).

Final budget expenditures were greater than original budget expenditures by \$191,447 (4 percent). The variance between the final budget and the actual was \$184,241 (4 percent). The difference is primarily due to a conservative "worst case scenario" approach.

Debt Administration

At June 30, 2015, the District had \$5,040,474 in school facilities improvement general obligation bonds (serial, term and capital appreciation bonds), qualified school construction bonds 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. These 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.

At June 30, 2015, the District's overall legal debt margin was \$101,641 with an un-voted debt margin of \$57,135.

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 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. 57 percent of District revenue sources are from local fund, 38 percent is from state funds and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$9,979.

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. The income from this tax continues to grow for the district. However, future finances are not without challenges as our community changes and state funding is revised.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

Construction of the new pre-kindergarten through twelfth grade school was completed in 2011. The new school is rated LEED Gold and is operated more efficiently than the old facility. Management and the Board of Education continue to look for ways to keep operating costs down and be more environmentally friendly through the use of the facility's state-of-the-art equipment.

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, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,843,344</u>
Net Position:	
Restricted for Debt Service	\$ 198,019
Restricted for Capital Outlay	1,415,196
Restricted for Other Purposes	116,638
Unrestricted	<u>1,113,491</u>
<i>Total Net Position</i>	\$ <u>2,843,344</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, 2015**

		Program Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions		Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 2,533,913	\$ 1,148,205	\$ 97,774		(1,287,934)
Special	272,964	6,488	83,089		(183,387)
Vocational	162,656		22,199		(140,457)
Other	24,623				(24,623)
Support Services:					
Pupils	197,289		5,575		(191,714)
Instructional Staff	124,133		52,562		(71,571)
Board of Education	14,397				(14,397)
Administration	511,891				(511,891)
Fiscal	214,069				(214,069)
Business	1,076				(1,076)
Operation and Maintenance of Plant	517,065		13,638		(503,427)
Pupil Transportation	218,444				(218,444)
Central	56,222				(56,222)
Operation of Non-Instructional Services	226,947	155,490	60,180		(11,277)
Extracurricular Activities	421,957	118,581	4,945		(298,431)
Facilities Acquisition and Construction Services	248,058				(248,058)
Debt Service:					
Principal	125,000				(125,000)
Interest and Fiscal Charges	201,038				(201,038)
Totals	\$ 6,071,742	\$ 1,428,764	\$ 339,962		(4,303,016)
General Receipts:					
Taxes:					
Property Taxes, Levied for General Purposes					1,107,485
Property Taxes, Levied for Capital Outlay					114,636
Property Taxes, Levied for Debt Service					322,206
Property Taxes, Levied for Other					18,691
Income Taxes					508,396
Grants and Entitlements not Restricted to Specific Programs					2,048,546
Investment Earnings					3,549
Miscellaneous					20,646
Insurance Recoveries					559
Refund of Prior Year Disbursements					31,263
Total General Receipts					4,175,977
Change in Net Position					(127,039)
Net Position Beginning of Year					2,970,383
Net Position End of Year					\$ 2,843,344

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, 2015**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,056,727</u>	\$ <u>1,273,091</u>	\$ <u>513,526</u>	\$ <u>2,843,344</u>
Fund Balances:				
Restricted		\$ 1,273,091	\$ 549,065	\$ 1,822,156
Assigned	\$ 224,215			224,215
Unassigned (Deficit)	<u>832,512</u>		<u>(35,539)</u>	<u>796,973</u>
<i>Total Fund Balances</i>	<u>\$ 1,056,727</u>	<u>\$ 1,273,091</u>	<u>\$ 513,526</u>	<u>\$ 2,843,344</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, 2015**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property and Other Local Taxes	\$ 1,101,835		\$ 461,183	\$ 1,563,018
Income Tax	508,396			508,396
Intergovernmental	2,007,752		375,797	2,383,549
Interest	1,817	\$ 1,647	99	3,563
Tuition and Fees	1,150,611			1,150,611
Extracurricular Activities	2,910		115,671	118,581
Gifts and Donations			4,945	4,945
Customer Sales and Services	4,082		155,490	159,572
Miscellaneous	5,646		15,000	20,646
Total Receipts	<u>4,783,049</u>	<u>1,647</u>	<u>1,128,185</u>	<u>5,912,881</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,448,069		85,844	2,533,913
Special	189,875		83,089	272,964
Vocational	162,656			162,656
Other	24,623			24,623
Support Services:				
Pupils	191,714		5,575	197,289
Instructional Staff	59,179		64,954	124,133
Board of Education	14,397			14,397
Administration	508,692		3,199	511,891
Fiscal	203,372		10,697	214,069
Business	1,076			1,076
Operation and Maintenance of Plant	448,305		68,760	517,065
Pupil Transportation	218,444			218,444
Central	56,222			56,222
Operation of Non-Instructional Services			226,947	226,947
Extracurricular Activities	254,377		167,580	421,957
Facilities Acquisition and Construction Services		51,713	196,345	248,058
Debt Service:				
Principal			125,000	125,000
Interest	17,406		183,632	201,038
Total Disbursements	<u>4,798,407</u>	<u>51,713</u>	<u>1,221,622</u>	<u>6,071,742</u>
Excess of Disbursements Over Receipts	<u>(15,358)</u>	<u>(50,066)</u>	<u>(93,437)</u>	<u>(158,861)</u>
Other Financing Sources:				
Insurance Recoveries	559			559
Refund of Prior Year Disbursements	31,263			31,263
Total Other Financing Sources	<u>31,822</u>			<u>31,822</u>
Net Change in Fund Balances	16,464	(50,066)	(93,437)	(127,039)
Fund Balances at Beginning of Year	1,040,263	1,323,157	606,963	2,970,383
Fund Balances at End of Year	<u>\$ 1,056,727</u>	<u>\$ 1,273,091</u>	<u>\$ 513,526</u>	<u>\$ 2,843,344</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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,030,900	\$ 1,107,599	\$ 1,101,835	\$ (5,764)
Income Tax	470,000	508,396	508,396	
Intergovernmental	2,032,964	2,072,811	2,007,752	(65,059)
Interest	2,000	2,000	1,587	(413)
Tuition and Fees	1,100,141	1,151,600	1,150,611	(989)
Rent	600	600		(600)
Gifts and Donations	250	250		(250)
Miscellaneous	5,300	5,300	1,976	(3,324)
<i>Total Receipts</i>	<u>4,642,155</u>	<u>4,848,556</u>	<u>4,772,157</u>	<u>(76,399)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,467,798	2,482,531	2,432,864	49,667
Special	178,329	203,537	189,875	13,662
Vocational	177,723	181,712	163,990	17,722
Adult/Continuing	171	171		171
Other	23,500	24,623	24,623	
Support Services:				
Pupils	190,915	195,318	191,739	3,579
Instructional Staff	95,716	86,596	60,190	26,406
Board of Education	15,141	15,206	14,397	809
Administration	522,898	528,067	508,534	19,533
Fiscal	205,953	210,223	203,372	6,851
Business	1,330	1,382	1,076	306
Operation and Maintenance of Plant	393,028	469,970	457,450	12,520
Pupil Transportation	234,272	241,986	222,687	19,299
Central	62,634	66,945	58,837	8,108
Extracurricular Activities	221,423	256,605	250,997	5,608
Interest		17,406	17,406	
<i>Total Disbursements</i>	<u>4,790,831</u>	<u>4,982,278</u>	<u>4,798,037</u>	<u>184,241</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(148,676)</u>	<u>(133,722)</u>	<u>(25,880)</u>	<u>107,842</u>
Other Financing Sources:				
Advances In	350,000	350,000		(350,000)
Insurance Recoveries		600	559	(41)
Refund of Prior Year Disbursements		32,000	31,263	(737)
<i>Total Other Financing Sources</i>	<u>350,000</u>	<u>382,600</u>	<u>31,822</u>	<u>(350,778)</u>
<i>Net Change in Fund Balance</i>	<u>201,324</u>	<u>248,878</u>	<u>5,942</u>	<u>(242,936)</u>
Fund Balance at Beginning of Year	794,540	794,540	794,540	
Prior Year Encumbrances Appropriated	26,075	26,075	26,075	
<i>Fund Balance at End of Year</i>	<u>\$ 1,021,939</u>	<u>\$ 1,069,493</u>	<u>\$ 826,557</u>	<u>\$ (242,936)</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, 2015

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>656</u>	\$ <u>51,697</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		\$ <u>51,697</u>
Net Position:		
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 FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust</u>
Change in Net Position	
Net Position Beginning of Year	\$ <u>656</u>
<i>Net Position End of Year</i>	\$ <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, 2015**

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 516 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 14, 15, and 16 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, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 yearend. 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 grouped into the 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 and the Classroom Facilities Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 reappropriated.

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 2015, the District had no investments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015 amounted to \$1,817 which includes \$775 assigned from other District 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.

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. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements.

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:

Net Change in Fund Balance	General Fund
Cash Basis (as reported)	\$16,464
Outstanding Encumbrances	(22,776)
Perspective Difference:	
Activity of Funds Reclassified for Cash Basis Reporting Purposes	12,254
Budgetary Basis	\$5,942

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.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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); and
8. Bankers' acceptance 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.

Deposits

At June 30, 2015, the carrying amount of all District deposits was \$2,895,697. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$2,675,766 of the District's bank balance of \$2,925,766 was protected by eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment. The remaining \$250,000 was insured by the Federal Deposit Insurance Corporation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. DEPOSITS AND INVESTMENTS (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, 2015, the District had no investments:

Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net position as of June 30, 2015:

<u>Cash per footnote</u>	
Carrying Amount of Deposits	<u>\$2,895,697</u>
 <u>Cash per Statement of Net Position</u>	
Governmental Activities	\$2,843,344
Private Purpose Trust funds	656
Agency funds	<u>51,697</u>
Total	<u><u>\$2,895,697</u></u>

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 2015 represent the collection of calendar year 2014 taxes. Real property taxes for 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2012 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. PROPERTY TAXES (Continued)

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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$40,283,940	87%	\$51,040,690	89%
Industrial/Commercial	3,279,250	7%	3,212,050	6%
Public Utility Personal Property	2,737,740	6%	2,881,870	5%
Total Assessed Value	\$46,300,930	100%	\$57,134,610	100%
Tax rate per \$1,000 of assessed valuation	\$58.66		\$57.80	

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.

Coverage provided by Schools of Ohio Risk Sharing Authority:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

8. RISK MANAGEMENT (Continued)

General Liability	
Bodily Injury & Property Damage	\$15,000,000
Personal Injury/Advertising Liability	15,000,000
Products/Completed Operations	15,000,000
Employers Stop Gap Liability	
Bodily Injury by Accident (each accident)	15,000,000
Bodily Injury by Disease (policy limit)	15,000,000
Bodily Injury by Disease (each employee)	15,000,000
Aggregate Limit	15,000,000
General Annual Aggregate	17,000,000
Fire Legal Liability	500,000
Medical Payments Occurrence/Aggregate	10,000/25,000
Educators' Legal Liability	
Wrongful Acts (\$0 deductible)	15,000,000
Automobile Liability:	
Bodily Injury & Property Damage	15,000,000
Medical Payments Occurrence/Aggregate	10,000/25,000
Uninsured/Underinsured Motorist	1,000,000
Automobile Physical Damage:	
(\$0 Deductible)	Actual Cash Value
Garage Keepers Physical Damage:	
(\$0 Deductible)	Actual Cash Value (\$250,000 Maximum)
Property:	
Building & Business Personal Property	
Limit Including Property Extensions	29,602,954
Earth Movement Limit	
(\$50,000 Deductible)	2,000,000
Flood Limit	
(\$50,000 Deductible)	2,000,000
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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8. RISK MANAGEMENT (Continued)

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 (Note 15). 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 (Note 16). 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. The Executive Director of the NBHP coordinates the management and administration of the program.

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

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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9. DEFINED PENSION BENEFIT PLANS (Continued)

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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9. DEFINED PENSION BENEFIT PLANS (Continued)

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$121,898 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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9. DEFINED PENSION BENEFIT PLANS (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$316,496 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,145,848	\$5,550,118	\$6,695,966
Proportion of the Net Pension Liability	0.022641%	0.0228180%	

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9. DEFINED PENSION BENEFIT PLANS (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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9. DEFINED PENSION BENEFIT PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$1,634,785	\$1,145,848	\$734,610

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 20 or later, 2 percent COLA paid on fifth anniversary of retirement date.

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9. DEFINED PENSION BENEFIT PLANS (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$7,945,598	\$5,550,118	\$3,524,347

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9. DEFINED PENSION BENEFIT PLANS (Continued)

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, 2015, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

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.

Funding Policy – Ohio Revised Code Chapter 3307 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, for the most recent year, pay a monthly premium.

Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2015, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$0, \$23,822, and \$27,014, respectively; 100 percent has been contributed for fiscal years 2015, 2014, and 2013.

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 2015 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 if they participated in one of SERS' health care plans.

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10. POSTEMPLOYMENT BENEFITS (Continued)

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 2015, the actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for the year ended June 30, 2015, 2014, and 2013 were 7,251, \$7,232, and \$6,289, respectively; 91 percent has been contributed for fiscal year 2015 and 100 percent for the fiscal years 2014 and 2013.

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.

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, 2015, the health care allocation was 0.82 percent. 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 2percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14percent 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, 2015, 2014 and 2013 were \$20,601, \$12,990 and \$10,719, respectively; 36 percent has been contributed for fiscal year 2015 and 100 percent for the fiscal years 2014 and 2012.

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 Employees/Audit Resources.

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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 Incentives (OHI) Consortium.

12. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2015 were as follows:

	<u>Balance at 06/30/2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/2015</u>	<u>Amount Due In one Year</u>
General Obligation Bonds					
Qualified School Construction Bonds	\$625,000			\$625,000	\$135,000
School Facilities Improvement Bonds					
Serial Bonds 2.5 – 3.7%	550,000		\$125,000	425,000	
Term Bonds 4.3 – 5.0%	3,785,000			3,785,000	
Capital Appreciation Bonds	175,395	\$30,079		205,474	
Total General Obligation Bonds	<u>\$5,135,395</u>	<u>\$30,079</u>	<u>\$125,000</u>	<u>\$5,040,474</u>	<u>\$135,000</u>

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.

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12. LONG-TERM OBLIGATIONS (Continued)

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>
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

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:

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12. LONG-TERM OBLIGATIONS (Continued)

Year	Principal Amount to be Redeemed
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:

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

The value of the capital appreciation bonds reported at June 30, 2015 was \$205,474. The annual accretion of interest is based on the straight-line method, which approximates the equity interest method. Total accreted interest of \$180,474 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

Total expenditures for interest for the period ended June 30, 2015 was \$201,038.

The scheduled payments of principal and interest on debt outstanding at June 30, 2015 are as follows:

General Obligation Bonds

Year Ending June 30,	Serial	Term	Capital	Construction Bonds	Interest	Total
2016	\$135,000				\$229,471	\$364,471
2017			\$108,584		258,862	367,446
2018			96,890		270,556	367,446
2019	145,000				224,909	369,909
2020	145,000				219,689	364,689
2021-2025		\$825,000			999,354	1,824,354
2026-2030		1,025,000		\$625,000	665,766	2,315,766
2031-2035		1,310,000			326,750	1,636,750
2036-2037		625,000			31,625	656,625
Total	\$425,000	\$3,785,000	\$205,474	\$625,000	\$3,226,982	\$8,267,456

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2014	
Current Year Set-aside Requirement	\$91,578
Current Year Offsets	(161,902)
Total	\$(70,324)

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the North West 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 2015, the District paid \$70,653 to NWOCA for various services. Financial information can be obtained from the North West 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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

15. 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 \$431,602 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 \$631 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. GROUP PURCHASING POOLS (Continued)

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.

16. RELATED ORGANIZATION

Pettisville School Foundation

The Pettisville School Foundation consists of a nine member Board of Trustees. Two of the trustees are appointed by the Pettisville Board of Education and the other seven members elected positions by the membership. The Foundation supports the District and community in various projects such as scholarship programs, the attendance incentive program, and fund raising for school facilities. Decisions to disburse money to the District are discretionary decisions made solely by the Board of Trustees of the Foundation. Financial information can be obtained from the Pettisville School Foundation, PO Box 53111, Pettisville, Ohio 43553.

17. 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 are 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, 2015.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

C. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

18. 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>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Special Instruction			\$350	\$350
Athletics			96,565	96,565
Food Service Operations			201	201
Facilities Maintenance			89,225	89,225
Debt Retirement			198,019	198,019
Permanent Improvement			123,055	123,055
Building Construction		\$1,273,091	41,650	41,650
Total Restricted		<u>1,273,091</u>	<u>\$549,065</u>	<u>1,822,156</u>
Assigned for:				
Educational Activities	\$20,269			20,269
Special Projects	181,170			181,170
Unpaid Obligations (encumbrances)	22,776			22,776
Total Assigned	<u>224,215</u>			<u>224,215</u>
Unassigned	<u>832,512</u>		<u>(35,539)</u>	<u>796,973</u>
Total Fund Balance	<u>\$1,056,727</u>	<u>\$1,273,091</u>	<u>\$513,526</u>	<u>\$2,843,344</u>

19. COMPLIANCE

At June 30, 2015, the Title I special revenue fund had a deficit fund balances of \$35,507.

20. INTERFUND ADVANCES

At June 30, 2015, the General Fund had an unpaid interfund cash advance in the amount of \$350,000 for a short-term loan made to the Permanent Improvement fund.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. 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 2014 are as follows:

In total, net position decreased \$739,556.

General receipts accounted for \$4,053,349 or 70 percent of all receipts. Program specific receipts in the form of operating grants and contributions accounted for \$1,703,121 or 30 percent of total receipts of \$5,756,470.

The District's major funds include the General Fund, Permanent Improvement Fund and the Classroom Facilities Fund.

The General Fund had \$4,683,817 in receipts and other financing sources and \$5,016,221 in expenditures and other financing uses. The General Fund's balance decreased \$332,404 from the prior fiscal year.

The Permanent Improvement Fund had \$514,835 in receipts and other financing sources and \$730,933 in expenditures. The Permanent Improvement Fund's balance decreased \$216,098 from the prior fiscal year.

The Classroom Facilities Fund had \$1,585 in receipts and \$121,899 in expenditures. The Classroom Facilities Fund's balance decreased \$120,314 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 Permanent Improvement Fund and the Classroom Facilities 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 2014. 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 those assets. 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 THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(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 receipts and from intergovernmental receipts, including federal and state grants and other shared receipts.

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 Permanent Improvement Fund and the Classroom Facilities 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 accrual basis of accounting.

The District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2014 compared to fiscal year 2013.

**Table 1
Net Position
Governmental Activities**

	2014	2013
<u>Assets:</u>		
Current and Other Assets	\$2,970,383	\$3,709,939
<u>Net Position:</u>		
Restricted for Debt	\$162,485	\$150,135
Restricted for Capital Outlay	1,605,871	2,016,622
Restricted for Other Purposes	110,650	170,515
Unrestricted	1,091,377	1,372,667
Total	\$2,970,383	\$3,709,939

As mentioned previously, net position of governmental activities decreased \$739,556 or 20 percent during 2014.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Table 2 reflects the changes in net position for fiscal year 2014.

**Table 2
Change in Net Position**

Receipts:	2014	2013
Program Receipts:		
Charges for Services and Sales	\$1,383,244	\$1,297,689
Operating Grants, Contributions and Interest	319,877	346,282
Capital Grants and Contributions		728,912
Total Program Receipts	<u>1,703,121</u>	<u>2,372,883</u>
General Receipts:		
Property Taxes	1,455,358	1,451,865
Income Taxes	488,056	451,076
Grants and Entitlements	2,032,927	2,040,594
Interest	3,959	5,506
Gifts and Donations	4,495	24,518
Miscellaneous	32,152	85,376
Proceeds from Sale of Capital Assets		100
Refund of Prior Year Disbursements	36,402	
Total General Receipts	<u>4,053,349</u>	<u>4,059,035</u>
Total Receipts	<u>5,756,470</u>	<u>6,431,918</u>
Disbursements:		
Instruction	2,973,551	2,949,451
Support Services:		
Pupils	190,788	95,844
Instructional Staff	110,723	97,171
Board of Education	13,941	15,592
Administration	500,918	509,068
Fiscal	232,483	237,680
Business	1,144	872
Operation and Maintenance of Plant	427,965	498,350
Pupil Transportation	307,629	243,642
Central	60,134	48,234
Non-Instructional	225,695	230,347
Extracurricular Activities	903,873	380,970
Facilities Acquisition and Construction	199,450	740,287
Services		
Debt Service:		
Principal	120,000	120,000
Interest and Fiscal Charges	205,000	205,834
Refund of Prior Year Receipts	22,732	
Total Disbursements	<u>6,496,026</u>	<u>6,373,342</u>
Increase/(Decrease) in Net Assets	(739,556)	58,576
Net Position at Beginning of Year	<u>3,709,939</u>	<u>3,651,363</u>
Net Position at End of Year	<u>\$2,970,383</u>	<u>\$3,709,939</u>

Program receipts account for 30 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

The major program disbursements for governmental activities are for instruction, which accounts for 46 percent of all governmental disbursements. Extracurricular activities represent 14 percent of disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 9 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 7 percent. The remaining 24 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 receipts decreased \$675,448 (11 percent) and disbursements increased \$122,684 (2 percent). The decrease in receipts was due to the capital grants that were received in 2013. The increase in expenditures was a result of the South Athletic Fields Project in fiscal year 2014.

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 receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	\$2,973,551	\$1,643,157	\$2,949,451	\$1,712,371
Support Services:				
Pupils	190,788	185,218	95,844	95,844
Instructional Staff	110,723	110,723	97,171	70,155
Board of Education	13,941	13,941	15,592	15,592
Administration	500,918	500,918	509,068	503,183
Fiscal	232,483	232,483	237,680	237,680
Business	1,144	1,144	872	872
Operation and Maintenance of Plant	427,965	416,189	498,350	487,220
Pupil Transportation	307,629	307,629	243,642	243,642
Central	60,134	60,134	48,234	48,234
Non-Instructional	225,695	1,815	230,347	(7,262)
Extracurricular Activities	903,873	772,372	380,970	255,719
Facilities Acquisition and Construction Service	199,450	199,450	740,287	11,375
Debt Service:				
Principal	120,000	120,000	120,000	120,000
Interest and Fiscal Charges	205,000	205,000	205,834	205,834
Refund of Prior Year Receipts	22,732	22,732		
Total Disbursements	<u>\$6,496,026</u>	<u>\$4,792,905</u>	<u>\$6,373,342</u>	<u>\$4,000,459</u>

Table 3 shows the dependence upon tax receipts and unrestricted state entitlements is apparent over 55 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general revenue is 74 percent. The remaining 26 percent is derived from tuition and fees, specific grants, and donations.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

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 Permanent Improvement Fund and the Classroom Facilities Fund. Total governmental funds had receipts and other financing sources of \$6,106,470 and disbursements and other financing uses of \$6,846,026. The net change in fund balance in the General fund reflects a decrease of \$332,404. This was primarily due to an advance of \$350,000 to the Permanent Improvement Fund for the South Athletic Fields Project. The net change in fund balance in the Permanent Improvement Fund was a decrease of \$216,098. This was due to expenditures on the South Athletic Fields Project. The net change in fund balance in the Classroom Facilities fund was a decrease of \$120,314. This was due to capital outlay expenditures for the construction on the new school building.

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 2014, the District amended its General Fund budget as needed.

Final estimated receipts exceeded original estimated resources by \$526,097 (12 percent). The variance between final estimated receipts and actual was \$366,877 (7 percent). Variances were a result of the Board anticipating the substantial repayment of an Advance made during the year to the Permanent Improvement Fund to assist in financing the South Athletic Fields Project

Final budget expenditures were greater than original budget expenditures by \$706,384 (15 percent). This difference is a result of the advance to the Permanent Improvement Fund to assist in the financing of the South Athletics Fields Project. The \$234,447 difference (4 percent) between the final budget expenditures and actual is primarily due to a conservative "worst case scenario" approach.

Debt Administration

At June 30, 2014, the District had \$5,135,395 in school facilities improvement general obligation bonds (serial, term and capital appreciation bonds), qualified school construction bonds 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. These 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.

At June 30, 2014, the District's overall legal debt margin was (\$968,311) with an un-voted debt margin of \$46,301.

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.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

The District is currently operating in the second year of the state biennium budget. 56 percent of District revenue sources are from local fund, 39 percent is from state funds and the remaining 5 percent is from federal funds. The total expenditure per pupil was calculated at \$10,110.

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.

Construction of the new pre-kindergarten through twelfth grade school was completed in 2011. The new school is rated LEED Gold and is operated more efficiently than the old facility. Management and the Board of Education continue to look for ways to keep operating costs down and be more environmentally friendly through the use of the facility's state-of-the-art equipment.

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, 2014**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,970,383</u>
 Net Position:	
Restricted for Debt Service	\$ 162,485
Restricted for Capital Outlay	1,605,871
Restricted for Other Purposes	110,650
Unrestricted	<u>1,091,377</u>
<i>Total Net Position</i>	\$ <u>2,970,383</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, 2014**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 2,542,177	\$ 1,095,770	\$ 86,372	(1,360,035)
Special	237,066		81,770	(155,296)
Vocational	171,826		66,482	(105,344)
Adult/Continuing	166			(166)
Other	22,316			(22,316)
Support Services:				
Pupils	190,788		5,570	(185,218)
Instructional Staff	110,723			(110,723)
Board of Education	13,941			(13,941)
Administration	500,918			(500,918)
Fiscal	232,483			(232,483)
Business	1,144			(1,144)
Operation and Maintenance of Plant	427,965	646	11,130	(416,189)
Pupil Transportation	307,629			(307,629)
Central	60,134			(60,134)
Operation of Non-Instructional Services	225,695	155,327	68,553	(1,815)
Extracurricular Activities	903,873	131,501		(772,372)
Facilities Acquisition and Construction Services	199,450			(199,450)
Debt Service:				
Principal	120,000			(120,000)
Interest and Fiscal Charges	205,000			(205,000)
Refund of Prior Year Receipts	22,732			(22,732)
Totals	\$ 6,496,026	\$ 1,383,244	\$ 319,877	(4,792,905)

General Receipts:

Taxes:		
Property Taxes, Levied for General Purposes	1,029,970	
Property Taxes, Levied for Capital Outlay	110,285	
Property Taxes, Levied for Debt Service	297,087	
Property Taxes, Levied for Other	18,016	
Income Taxes	488,056	
Grants and Entitlements not Restricted to Specific Programs	2,032,927	
Gifts and Donations	4,495	
Investment Earnings	3,959	
Miscellaneous	32,152	
Refund of Prior Year Disbursements	36,402	
Total General Receipts	4,053,349	
Change in Net Position	(739,556)	
Net Position Beginning of Year	3,709,939	
Net Position End of Year	\$ 2,970,383	

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, 2014

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,040,263</u>	\$ <u>81,140</u>	\$ <u>1,323,157</u>	\$ <u>525,823</u>	\$ <u>2,970,383</u>
Fund Balances:					
Restricted		\$ 81,140	\$ 1,323,157	\$ 597,259	\$ 2,001,556
Assigned	\$ 242,970				242,970
Unassigned (Deficit)	<u>797,293</u>			<u>(71,436)</u>	<u>725,857</u>
<i>Total Fund Balances</i>	\$ <u>1,040,263</u>	\$ <u>81,140</u>	\$ <u>1,323,157</u>	\$ <u>525,823</u>	\$ <u>2,970,383</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, 2014**

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property and Other Local Taxes	\$ 1,024,320	\$ 115,935		\$ 315,103	\$ 1,455,358
Income Tax	488,056				488,056
Intergovernmental	2,033,091	15,714		304,349	2,353,154
Interest	1,762		\$ 1,585	612	3,959
Tuition and Fees	1,092,525				1,092,525
Rent	646				646
Extracurricular Activities	21,986			109,515	131,501
Gifts and Donations	250			4,245	4,495
Customer Sales and Services	2,895			155,327	158,222
Miscellaneous	4,616	27,536			32,152
Total Receipts	<u>4,670,147</u>	<u>159,185</u>	<u>1,585</u>	<u>889,151</u>	<u>5,720,068</u>
Disbursements:					
Current:					
Instruction:					
Regular	2,387,951	36,176		118,050	2,542,177
Special	155,296			81,770	237,066
Vocational	171,826				171,826
Adult/Continuing	166				166
Other	22,316				22,316
Support Services:					
Pupils	185,218			5,570	190,788
Instructional Staff	92,034			18,689	110,723
Board of Education	13,941				13,941
Administration	497,723	695		2,500	500,918
Fiscal	222,206	2,659		7,618	232,483
Business	1,144				1,144
Operation and Maintenance of Plant	384,899	19,249		23,817	427,965
Pupil Transportation	229,444	78,185			307,629
Central	60,134				60,134
Operation of Non-Instructional Services				225,695	225,695
Extracurricular Activities	219,191	574,923		109,759	903,873
Facilities Acquisition and Construction Services		19,046	121,899	58,505	199,450
Debt Service:					
Principal				120,000	120,000
Interest				205,000	205,000
Total Disbursements	<u>4,643,489</u>	<u>730,933</u>	<u>121,899</u>	<u>976,973</u>	<u>6,473,294</u>
Excess of Receipts Over (Under) Disbursements	<u>26,658</u>	<u>(571,748)</u>	<u>(120,314)</u>	<u>(87,822)</u>	<u>(753,226)</u>
Other Financing Sources and (Uses):					
Advances In		350,000			350,000
Refund of Prior Year Disbursements	13,670	5,650		17,082	36,402
Advances Out	(350,000)				(350,000)
Refund of Prior Year Receipts	(22,732)				(22,732)
Total Other Financing Sources and (Uses)	<u>(359,062)</u>	<u>355,650</u>		<u>17,082</u>	<u>13,670</u>
Net Change in Fund Balances	<u>(332,404)</u>	<u>(216,098)</u>	<u>(120,314)</u>	<u>(70,740)</u>	<u>(739,556)</u>
Fund Balances at Beginning of Year	1,372,667	297,238	1,443,471	596,563	3,709,939
Fund Balances at End of Year	<u>\$ 1,040,263</u>	<u>\$ 81,140</u>	<u>\$ 1,323,157</u>	<u>\$ 525,823</u>	<u>\$ 2,970,383</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,026,957	\$ 1,032,838	\$ 1,024,320	\$ (8,518)
Income Tax	451,076	488,056	488,056	
Intergovernmental	2,010,096	2,061,708	2,033,091	(28,617)
Interest	2,156	2,156	1,543	(613)
Tuition and Fees	1,007,285	1,098,344	1,092,525	(5,819)
Rent		646	646	
Gifts and Donations		250	250	
Miscellaneous	1,927	5,194	4,616	(578)
Total Receipts	<u>4,499,497</u>	<u>4,689,192</u>	<u>4,645,047</u>	<u>(44,145)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,359,869	2,429,481	2,388,455	41,026
Special	194,326	225,499	155,380	70,119
Vocational	174,105	177,425	172,671	4,754
Adult/Continuing	263	263	166	97
Other	49,757	39,757	22,316	17,441
Support Services:				
Pupils	139,273	201,926	185,219	16,707
Instructional Staff	129,215	95,688	92,687	3,001
Board of Education	16,096	16,191	14,006	2,185
Administration	346,433	499,080	496,597	2,483
Fiscal	225,862	232,914	222,239	10,675
Business	872	1,222	1,196	26
Operation and Maintenance of Plant	369,602	425,307	400,497	24,810
Pupil Transportation	286,225	289,809	234,420	55,389
Central	49,461	60,459	60,134	325
Extracurricular Activities	220,202	222,924	214,783	8,141
Total Disbursements	<u>4,561,561</u>	<u>4,917,945</u>	<u>4,660,766</u>	<u>257,179</u>
Excess of Disbursements Over Receipts	<u>(62,064)</u>	<u>(228,753)</u>	<u>(15,719)</u>	<u>213,034</u>
Other Financing Sources and (Uses):				
Advances In		300,000		(300,000)
Refund of Prior Year Disbursements		36,402	13,670	(22,732)
Advances Out		(350,000)	(350,000)	
Refund of Prior Year Receipts			(22,732)	(22,732)
Total Other Financing Sources and (Uses)		<u>(13,598)</u>	<u>(359,062)</u>	<u>(345,464)</u>
Net Change in Fund Balance	<u>(62,064)</u>	<u>(242,351)</u>	<u>(374,781)</u>	<u>(132,430)</u>
Fund Balance at Beginning of Year	1,125,159	1,125,159	1,125,159	
Prior Year Encumbrances Appropriated	44,162	44,162	44,162	
Fund Balance at End of Year	<u>\$ 1,107,257</u>	<u>\$ 926,970</u>	<u>\$ 794,540</u>	<u>\$ (132,430)</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, 2014

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>656</u>	\$ <u>48,264</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		\$ <u>48,264</u>
Net Position:		
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 FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<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, 2014**

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 534 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, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 yearend. 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 grouped into the 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, Permanent Improvement Fund and Classroom Facilities Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Permanent Improvement Fund - The Permanent Improvement fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities).

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.

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 selected by the Board. The legal level of budgetary control selected by the Board is at the fund and objects 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 reappropriated.

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 2014 had no investments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2014 amounted to \$1,762, which includes \$586 assigned from other District 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.

H. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. 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.

J. 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.

K. 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.

L. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

N. 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE

For 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 67, "Financial Reporting of Pension Plans" and Governmental Accounting Standard Board (GASB) Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50, *Pension Disclosures* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.

These changes were incorporated in the District's 2014 financial statements; however, there was no effect on beginning net position/fund balance.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance	General Fund
Cash Basis (as reported)	(\$332,404)
Outstanding Encumbrances	(26,075)
Perspective Difference:	
Activity of Funds Reclassified for Cash Basis Reporting Purposes	(16,302)
Budgetary Basis	(\$374,781)

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.

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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); and
8. Bankers' acceptance and commercial paper, if training 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.

Deposits

At June 30, 2014, the carrying amount of all District deposits was \$3,019,303. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$2,800,653 of the District's bank balance of \$3,050,653 was protected by eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment. The remaining \$250,000 was insured by the Federal Deposit Insurance Corporation.

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, 2014, the District had no investments:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net position as of June 30, 2014:

<u>Cash per footnote</u>	
Carrying Amount of Deposits	<u>\$3,019,303</u>
<u>Cash per Statement of Net Position</u>	
Governmental Activities	\$2,970,383
Private Purpose Trust funds	656
Agency funds	<u>48,264</u>
Total	<u><u>\$3,019,303</u></u>

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 2014 represent the collection of calendar year 2013 taxes. Real property taxes for 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2011 and are collected in 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2014, are available to finance fiscal year 2014 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, 2014
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$40,096,530	88%	\$40,283,940	87%
Industrial/Commercial	3,207,670	7%	3,279,250	7%
Public Utility Personal Property	2,476,890	5%	2,737,740	6%
Total Assessed Value	<u>\$45,781,090</u>	<u>100%</u>	<u>\$46,300,930</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$61.86		\$58.66	

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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.

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
Employers Stop Gap Liability	
Bodily Injury by Accident (each accident)	15,000,000
Bodily Injury by Disease (policy limit)	15,000,000
Bodily Injury by Disease (each employee)	15,000,000
Aggregate Limit	15,000,000
General Annual Aggregate	17,000,000
Fire Legal Liability	500,000
Medical Payments Occurrence/Aggregate	10,000/25,000
Educators' Legal Liability	
Wrongful Acts (\$0 deductible)	15,000,000
Automobile Liability:	
Bodily Injury & Property Damage	15,000,000
Medical Payments Occurrence/Aggregate	10,000/25,000
Uninsured/Underinsured Motorist	1,000,000
Automobile Physical Damage:	
(\$0 Deductible)	Actual Cash Value
Garage Keepers Physical Damage:	
(\$0 Deductible)	Actual Cash Value (\$250,000 Maximum)
Property:	
Building & Business Personal Property	
Limit Including Property Extensions	29,109,012
Earth Movement Limit	
(\$50,000 Deductible)	2,000,000
Flood Limit	
(\$50,000 Deductible)	2,000,000
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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of the Optimal Health Initiative (OHI) Consortium, a self insurance pool, for insurance benefits to employees (Note 15). 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 (Note 16). 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. The Executive Director of the NBHP coordinates the management and administration of the program.

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 St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. DEFINED PENSION BENEFIT PLANS (Continued)

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 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, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. 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, 2014, 2013, and 2012 were \$309,690, \$351,185, and \$345,012, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 under Employers/Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. DEFINED PENSION BENEFIT PLANS (Continued)

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, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 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, 2014, 2013, and 2012 was \$124,661 \$111,339, and \$118,837, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

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, 2014, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

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.

Funding Policy – Ohio Revised Code Chapter 3307 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, for the most recent year, pay a monthly premium.

Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, 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, 2014, 2013, and 2012 was \$23,822 \$27,014, and \$24,644, respectively; 85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

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 2014 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 if they participated in one of SERS' health care plans.

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 2014, the actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for the year ended June 30, 2014, 2013, and 2012 were \$7,232, \$6,289, and \$6,366, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

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.

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, 2014, the health care allocation was 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, 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, 2014, 2013 and 2012 were \$12,990 \$10,719 and \$4,669, respectively; 8 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

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 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 Incentives (OHI) Consortium.

12. LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 06/30/2013	Increase	Decrease	Balance at 06/30/2014	Amount Due In one Year
Special Waterline Assessment	\$673		\$673		
General Obligation Bonds					
Qualified School Construction Bonds	625,000			\$625,000	
School Facilities Improvement Bonds					
Serial Bonds 2.5 – 3.7%	670,000		120,000	550,000	\$125,000
Term Bonds 4.3 – 5.0%	3,785,000			3,785,000	
Capital Appreciation Bonds	145,316	\$30,079		175,395	
Total General Obligation Bonds	\$5,225,989	\$30,079	\$120,673	\$5,135,395	\$125,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Special Waterline Assessment Loan – In 1993, the District was assessed for waterlines in the amount of \$26,845. The assessment was for 20 years and matured during fiscal year 2014

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>
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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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, 2014 was \$175,395. The annual accretion of interest is based on the straight-line method, which approximates the equity interest method. Total accreted interest of \$150,395 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service Fund.

Total expenditures for interest for the period ended June 30, 2014 was \$205,000.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2014 are as follows:

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>
2015	\$125,000				\$233,371	\$358,371
2016	135,000				229,471	364,471
2017			\$92,875		274,572	367,447
2018			82,520		284,926	367,446
2019	145,000				224,909	369,909
2020-2024	145,000	\$645,000			1,033,641	1,823,641
2025-2029		980,000		\$625,000	748,933	2,353,933
2030-2034		1,245,000			390,484	1,635,484
2035-2037		915,000			70,125	985,125
Total	<u>\$550,000</u>	<u>\$3,785,000</u>	<u>\$175,395</u>	<u>\$625,000</u>	<u>\$3,490,432</u>	<u>\$8,625,827</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. The lease expired in fiscal year 2014. The District had expenditures of \$50 for the operating lease.

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

	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2013	
Current Year Set-aside Requirement	\$86,315
Current Year Offsets	(157,783)
Total	<u>\$(71,468)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the North West 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 2014, the District paid \$74,795 to NWOCA for various services. Financial information can be obtained from the North West 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.

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 \$465,014 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. GROUP PURCHASING POOLS (Continued)

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 \$603 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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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, 2014.

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>Permanent Improvement</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:					
Athletics				\$115,269	\$115,269
Food Service Operations Facilities Maintenance				12,045	12,045
Debt Retirement				88,936	88,936
Permanent Improvement Building Construction		\$81,140	\$1,323,157	218,524	81,140 1,541,681
Total Restricted		81,140	1,323,157	597,259	2,001,556
Assigned for:					
Educational Activities	\$33,628				33,628
Special Projects Unpaid Obligations (encumbrances)	183,267				183,267
Total Assigned	26,075				26,075
Unassigned	242,970				242,970
Total Fund Balance	797,293	\$81,140	\$1,323,157	(71,436)	725,857
	<u>\$1,040,263</u>	<u>\$81,140</u>	<u>\$1,323,157</u>	<u>\$525,823</u>	<u>\$2,970,383</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

20. COMPLIANCE

Contrary to Ohio law, tangible personal property fixed rate non-operating reimbursements of \$16,950 designated for the Permanent Improvement Fund were incorrectly posted to the General Fund, instead of the Permanent Improvement Fund. Also contrary to Ohio law, unallowable disbursements of \$34,164 were made from the Classroom Maintenance Fund.

At June 30, 2014, Race to the Top, Title I, Title II-A and REAP special revenue funds had deficit fund balances of \$27,893, 27,815, \$15,698 and \$30, respectively, resulting from the funds being reimbursement grants.

21. INTERFUND ADVANCES

At June 30, 2014, the General Fund had an unpaid interfund cash advance in the amount of \$350,000 for a short-term loan made to the Permanent Improvement fund.

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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
P.O. Box 53001
232 Summit Street
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 cash basis 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 years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 3, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-002 through 2015-004 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 through 2015-003.

Entity's Response to Findings

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

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

May 3, 2016

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. 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 Admin. Code § 117-2-03(B) adds to the requirements of Ohio Revised Code § 117.38 and requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

Management decided to prepare the District's 2015 and 2014 financial statements on a cash basis of accounting in a format similar to financial statements by Governmental Accounting Board Statement No. 34. This presentation differs from generally accepted accounting principles (GAAP). The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared and filed 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 2015-002

Noncompliance Citation - Material Weakness

Ohio Rev. Code § 5705.10(D) provides, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The fiscal year 2015, 2014, and 2013 tangible personal property fixed rate non-operating reimbursements, received in accordance with **Ohio Rev. Code § 5751.21(C)(12)**, designated for the Permanent Improvement Fund of \$5,650 per year were incorrectly posted to the General Fund, instead of the Permanent Improvement Fund.

In fiscal year 2014, the District attempted to correct the 2013 error, but posted another reduction of \$5,650 to the Permanent Improvement fund in error.

As of June 30, 2015 and 2014, the Permanent Improvement fund balance was understated, and the General Fund was overstated by \$22,600 and \$16,950, respectively.

These errors were not identified and corrected prior to the audit due to deficiencies in the District's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

The accompanying financial statements and accounting records have been adjusted to correct these errors.

We recommend the Treasurer review the supporting documentation from the receipt to ensure the monies are allocated to the proper funds. In addition, adjustments should be reviewed after posting to verify they have been correctly recorded.

Officials' Response:

Management is aware of the comment and working to address it.

FINDING NUMBER 2015-003

Noncompliance Citation - Material Weakness

Ohio Rev. Code § 5705.10 (I), requires that money paid into any fund shall be used only for the purposes for which such fund is established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

In addition, Ohio School Facilities Commission (OSFC), Classroom Facilities Assistance Program, Project Agreement IV. B. requires the District to submit to the Commission for approval a plan for the preventative maintenance of each completed facility according to procedures specified by the Commission. The District acknowledges that routine janitorial and utility costs, equipment supplies, and personnel associated with the day-to-day housekeeping and site upkeep per normal and customary standards are not allowable expenditures under the parameters of the maintenance fund.

In 2013, payments totaling \$17,082 were made from the Classroom Maintenance fund for snow removal, cleaning supplies and materials, and repairs to buildings not part of the OSFC financed project. This fund receives proceeds from a permanent improvement levy, designated specifically for maintenance costs incurred on the OSFC financed portion of the District's K-12 building.

In fiscal year 2014, the District attempted to correct the 2013 error, but posted another reduction of \$17,082 to the Classroom Maintenance fund in error.

As of June 30, 2014, the Classroom Maintenance fund balance was understated by \$34,164 and the General Fund was overstated by \$34,164.

The accompanying financial statements and accounting records have been adjusted to correct these errors.

The 2015 Title I Fund had a negative cash fund balance for which there were no outstanding project cash requests of \$35,507 as of June 30, 2015. The District never requested any additional 2015 grant funds from the Ohio Department of Education, and as of March 31, 2016, the fund has a deficit balance of \$59,233.

These errors were not identified and corrected prior to the audit due to deficiencies in the District's internal controls over financial statement monitoring.

We recommend the Treasurer review all expenditures charged to the Classroom Maintenance fund to ensure they are in accordance with the District's Maintenance Plan. In addition, adjustments should be reviewed after posting to verify they have been correctly recorded. The District should also review the cash flow activities of all funds to help ensure adequate balances are maintained and make project cash requests from the Ohio Department of Education when needed.

Officials' Response:

Management is aware of the comment and working to address it.

FINDING NUMBER 2015-004

Material Weakness – Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

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.

As of June 30, 2015 and 2014, General Fund unassigned fund balance reported on the Statement of Cash Basis Assets and Fund Balances was overstated by \$181,170 and \$183,267, respectively, including amounts which the Board of Education assigned to use for specific projects.

A final review of the financial statements may have detected these errors.

The accompanying financial statements and accounting records have been adjusted to correct these errors.

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

Officials' Response:

Management is aware of the comment and working to address it.

**PETTISVILLE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 117.38 and Ohio Admin. 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 number 2015-001 in this report.
2013-002	Material Weakness – Financial Reporting – due to adjustments which were recorded to report two funds as part of General Fund.	Yes	
2013-003	Material Weakness – Failure To Record On-Behalf Grant Activity – due to adjustments which were recorded to report grant activity passed through the Northwest Educational Service Center.	Yes	



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PETTISVILLE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 24, 2016**