



**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Pandora-Gilboa Local School District
Putnam County
301 North Jefferson Street
P.O. Box 389
Pandora, Ohio 45877-0389

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Pandora-Gilboa Local School District, Putnam County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Pandora-Gilboa Local School District, Putnam County, as of June 30, 2000, and the results of its operations and the cash flows of its enterprise and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 20, 2000

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**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$599,060	\$130,880		\$48,150
Cash and Cash Equivalents with Fiscal Agents		2,963		
Investment				
Receivables:				
Taxes	1,279,170		\$43,435	
Interfund Receivable	4,024			
Inventory Held for Resale				
Prepaid Items	31,393			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	70,964			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u>\$1,984,611</u>	<u>\$133,843</u>	<u>\$43,435</u>	<u>\$48,150</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$9,990	\$237		\$625
Accrued Wages and Benefits	287,394	3,288		
Compensated Absences Payable	14,676			
Interfund Payable				
Intergovernmental Payable	72,804	160		
Deferred Revenue	1,067,482		\$40,047	
Undistributed Monies				
Due to Students				
Energy Conservation Loan Payable				
Total Liabilities	<u>1,452,346</u>	<u>3,685</u>	<u>40,047</u>	<u>625</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	15,125	5,228		192
Reserved for Trust				
Reserved for Property Taxes	65,978		3,388	
Reserved for Textbooks and Instructional Material	26,891			
Reserved for Budget Stabilization	44,073			
Designated for Textbook and Instructional Material	5,905			
Unreserved, Undesignated	<u>374,293</u>	<u>124,930</u>		<u>47,333</u>
Total Fund Equity and Other Credits	<u>532,265</u>	<u>130,158</u>	<u>3,388</u>	<u>47,525</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,984,611</u>	<u>\$133,843</u>	<u>\$43,435</u>	<u>\$48,150</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$9,732	\$24,355			\$812,177
	5,778			2,963
				5,778
				1,322,605
				4,024
465				465
919				32,312
				70,964
23,822		\$4,076,195		4,100,017
			\$3,388	3,388
			410,038	410,038
\$34,938	\$30,133	\$4,076,195	\$413,426	\$6,764,731

				\$10,852
\$8,994				299,676
2,908			\$221,510	239,094
4,024				4,024
4,925			29,257	107,146
465				1,107,994
	\$128			128
	24,227			24,227
			162,659	162,659
21,316	24,355		413,426	1,955,800
		\$4,076,195		4,076,195
13,622				13,622
	5,778			20,545
				5,778
				69,366
				26,891
				44,073
				5,905
				546,556
13,622	5,778	4,076,195		4,808,931
\$34,938	\$30,133	\$4,076,195	\$413,426	\$6,764,731

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Taxes	\$1,463,000	
Intergovernmental	2,392,021	\$177,359
Interest	55,652	
Tuition and Fees	12,035	
Extracurricular Activities		123,623
Miscellaneous	10,212	18,080
Total Revenues	3,932,920	319,062
Expenditures:		
Current:		
Instruction:		
Regular	1,662,402	78,481
Special	157,152	20,635
Vocational	143,785	
Adult/Continuing	506	
Other	231,705	
Support Services:		
Pupils	100,119	5,455
Instructional Staff	104,921	33,503
Board of Education	14,070	
Administration	468,804	15,477
Fiscal	133,049	4,218
Operation and Maintenance of Plant	305,318	
Pupil Transportation	298,741	
Central Services	4,787	
Non-Instructional Services	798	1,714
Extracurricular Activities	102,371	98,735
Capital Outlay		
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	3,728,528	258,218
Excess of Revenues Over/(Under) Expenditures	204,392	60,844
Other Financing Sources (Uses):		
Operating Transfers In	1,440	
Operating Transfers Out		(1,440)
Total Other Financing Sources (Uses)	1,440	(1,440)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	205,832	59,404
Fund Balances at Beginning of Year	326,433	70,754
Fund Balances at End of Year	\$532,265	\$130,158

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$42,706		\$1,505,706
	\$100,381	2,669,761
		55,652
		12,035
		123,623
		28,292
<u>42,706</u>	<u>100,381</u>	<u>4,395,069</u>
	76,634	1,817,517
		177,787
		143,785
		506
		231,705
		105,574
	3,888	142,312
		14,070
	5,218	489,499
		137,267
		305,318
	1,080	299,821
		4,787
		2,512
		201,106
	33,774	33,774
30,587		30,587
<u>12,848</u>		<u>12,848</u>
<u>43,435</u>	<u>120,594</u>	<u>4,150,775</u>
<u>(729)</u>	<u>(20,213)</u>	<u>244,294</u>
		1,440
		<u>(1,440)</u>
(729)	(20,213)	244,294
<u>4,117</u>	<u>67,738</u>	<u>469,042</u>
<u>\$3,388</u>	<u>\$47,525</u>	<u>\$713,336</u>

**PANDORA GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes		\$1,486,527	\$1,486,527
Intergovernmental		2,392,021	2,392,021
Interest		55,652	55,652
Tuition and Fees		13,635	13,635
Extracurricular Activities			
Miscellaneous		10,212	10,212
Total Revenues		<u>3,958,047</u>	<u>3,958,047</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$1,797,624	1,686,806	110,818
Special	167,130	158,712	8,418
Vocational	156,969	144,117	12,852
Adult/Continuing	1,201	506	695
Other	270,765	244,357	26,408
Support Services:			
Pupils	122,046	98,249	23,797
Instructional Staff	142,204	116,833	25,371
Board of Education	16,556	14,602	1,954
Administration	480,596	455,736	24,860
Fiscal	133,137	129,647	3,490
Operation and Maintenance of Plant	341,389	308,613	32,776
Pupil Transportation	328,052	303,420	24,632
Central Services	4,793	4,787	6
Non-Instructional Services	1,900	1,898	2
Extracurricular Activities	121,038	106,834	14,204
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>4,085,400</u>	<u>3,775,117</u>	<u>310,283</u>
Excess Revenues Over (Under) Expenditures	<u>(4,085,400)</u>	<u>182,930</u>	<u>4,268,330</u>
Other Financing Sources (Uses):			
Advances In		61,601	61,601
Advances Out	(30,000)	(4,024)	25,976
Operating Transfers In		1,440	1,440
Operating Transfers Out	(40,000)		40,000
Total Other Financing Sources (Uses)	<u>(70,000)</u>	<u>59,017</u>	<u>129,017</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(4,155,400)</u>	<u>241,947</u>	<u>4,397,347</u>
Fund Balances at Beginning of Year	371,416	371,416	
Prior Year Encumbrances Appropriated	31,545	31,545	
Fund Balances at End of Year	<u>(\$3,752,439)</u>	<u>\$644,908</u>	<u>\$4,397,347</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
	\$171,624	\$171,624		\$43,435	\$43,435
	124,073	124,073			
	18,078	18,078			
	313,775	313,775		43,435	43,435
\$83,269	79,903	3,366			
16,026	17,121	(1,095)			
9,386	6,127	3,259			
48,993	36,909	12,084			
21,692	16,013	5,679			
4,915	4,712	203			
1,714	1,714				
103,454	102,084	1,370			
			\$30,587	30,587	
			12,848	12,848	
289,449	264,583	24,866	43,435	43,435	
(289,449)	49,192	338,641	(43,435)		43,435
(1,440)	(1,440)				
(1,440)	(1,440)				
(290,889)	47,752	338,641	(43,435)		43,435
53,797	53,797				
23,870	23,870				
(\$213,222)	\$125,419	\$338,641	(\$43,435)		\$43,435

(Continued)

**PANDORA GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	<u>Capital Projects Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes			
Intergovernmental		\$102,690	\$102,690
Interest			
Tuition and Fees			
Extracurricular Activities			
Miscellaneous			
Total Revenues		102,690	102,690
Expenditures:			
Current:			
Instruction:			
Regular	\$99,656	78,302	21,354
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff	2,132	2,132	
Board of Education			
Administration	5,218	5,218	
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation	1,080	1,080	
Central Services			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	56,824	36,082	20,742
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	164,910	122,814	42,096
Excess Revenues Over (Under) Expenditures	(164,910)	(20,124)	144,786
Other Financing Sources (Uses):			
Advances In			
Advances Out	(41,601)	(41,601)	
Operating Transfers In			
Operating Transfers Out			
Total Other Financing Sources (Uses)	(41,601)	(41,601)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(206,511)	(61,725)	144,786
Fund Balances at Beginning of Year	97,970	97,970	
Prior Year Encumbrances Appropriated	11,370	11,370	
Fund Balances at End of Year	(\$97,171)	\$47,615	\$144,786

The notes to the general-purpose financial statements are an integral part of this statement.

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
	\$1,529,962	\$1,529,962
	2,666,335	2,666,335
	55,652	55,652
	13,635	13,635
	124,073	124,073
	28,290	28,290
	<u>4,417,947</u>	<u>4,417,947</u>
\$1,980,549	1,845,011	135,538
183,156	175,833	7,323
156,969	144,117	12,852
1,201	506	695
270,765	244,357	26,408
131,432	104,376	27,056
193,329	155,874	37,455
16,556	14,602	1,954
507,506	476,967	30,539
138,052	134,359	3,693
341,389	308,613	32,776
329,132	304,500	24,632
4,793	4,787	6
3,614	3,612	2
224,492	208,918	15,574
56,824	36,082	20,742
30,587	30,587	
12,848	12,848	
<u>4,583,194</u>	<u>4,205,949</u>	<u>377,245</u>
<u>(4,583,194)</u>	<u>211,998</u>	<u>4,795,192</u>
	61,601	61,601
(71,601)	(45,625)	25,976
	1,440	1,440
(41,440)	(1,440)	40,000
<u>(113,041)</u>	<u>15,976</u>	<u>129,017</u>
(4,696,235)	227,974	4,924,209
523,183	523,183	
66,785	66,785	
<u>(\$4,106,267)</u>	<u>\$817,942</u>	<u>\$4,924,209</u>

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND EQUITY - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$172,503		\$172,503
Interest		\$438	438
Total Operating Revenues	<u>172,503</u>	<u>438</u>	<u>172,941</u>
Operating Expenses:			
Salaries and Wages	54,129		54,129
Fringe Benefits	26,127		26,127
Purchased Services	5,274		5,274
Materials and Supplies	468		468
Cost of Sales	103,240		103,240
Depreciation	1,669		1,669
Other Operating Expenses	215	400	615
Total Operating Expenses	<u>191,122</u>	<u>400</u>	<u>191,522</u>
Operating Income (Loss)	<u>(18,619)</u>	<u>38</u>	<u>(18,581)</u>
Non-Operating Revenues:			
Federal Donated Commodities	11,165		11,165
Operating Grants	29,085		29,085
Total Non-operating Revenues	<u>40,250</u>		<u>40,250</u>
Net Income	21,631	38	21,669
Retained Earnings (Deficit)/Fund Balance at Beginning of Year	<u>(8,009)</u>	<u>5,740</u>	<u>(2,269)</u>
Retained Earnings/Fund Balance at End of Year	<u>\$13,622</u>	<u>\$5,778</u>	<u>\$19,400</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows From Operating Activities:			
Cash Received From Customers	\$173,355		\$173,355
Cash Payments For Personal Services	(89,288)		(89,288)
Cash Payments To Suppliers For Goods and Services	(97,901)		(97,901)
Cash Payments For Other Expenses	(215)	(\$400)	(615)
Interest		438	438
	<u>(14,049)</u>	<u>38</u>	<u>(14,011)</u>
Net Cash Provided (Used) by Operating Activities			
Cash Flows From Noncapital Financing Activities:			
Cash Received From Operating Grants	29,085		29,085
Advances In From Other Funds	4,024		4,024
Advances Out To Other Funds	(20,000)		(20,000)
	<u>13,109</u>		<u>13,109</u>
Net Cash Provided by Noncapital Financing Activities			
Cash Flows From Investing Activities:			
Proceeds From Sale of Investments		400	400
Purchase of Investments		(438)	(438)
		<u>(38)</u>	<u>(38)</u>
Net Cash (Used) by Investing Activities			
Net Decrease In Cash and Cash Equivalents	(940)		(940)
Cash and Cash Equivalents At Beginning of Year	<u>10,672</u>		<u>10,672</u>
Cash and Cash Equivalents At End of Year	<u>\$9,732</u>		<u>\$9,732</u>

(Continued)

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Totals (Memorandum Only)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	(\$18,619)	\$38	(\$18,581)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Federal Donated Commodities	11,165		11,165
Depreciation	1,669		1,669
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	852		852
Decrease in Inventory Held for Resale	56		56
Decrease in Prepaids	1,310		1,310
Decrease in Accounts Payable	(140)		(140)
Increase in Accrued Wages and Benefits	2,131		2,131
Increase in Compensated Absences Payable	494		494
Decrease in Intergovernmental Payable	(12,967)		(12,967)
Net Cash Used by Operating Activities	(\$14,049)	\$38	(\$14,011)
Equity in Pooled Cash and Cash Equivalents Trust and Agency Funds			\$24,355
Less Equity in Pooled Cash and Cash Equivalents Agency Funds			(24,355)
Equity in Pooled Cash and Cash Equivalents Nonexpendable Trust Funds			

The notes to the general-purpose financial statements are an integral part of this statement.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Pandora-Gilboa Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and/or federal guidelines.

The School District was established in 1951. The School District serves an area of approximately sixty-six square miles. It is located in Putnam County and includes all of the Villages of Pandora and Gilboa and portions of Riley, Blanchard, Richland, Pleasant and Van Buren Townships. The School District is the 564th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty classified employees, forty-five certified teaching personnel, and five administrative employees who provide services to 641 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the School District.

The School District is associated with two jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Blanchard Valley Cooperative Vocational Career Center, Putnam County Schools Insurance Group, and NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the general-purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund - The enterprise fund is used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District did not have any expendable trust funds in fiscal year 2000. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds and the nonexpendable trust fund are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: grants, investment earnings, tuition, and student fees.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise and nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Eisenhower, Drug Free, and Title VI-B Preschool special revenue funds are flow through grants in which the Putnam County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for rate determination.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The District did not obtain an amended certificate of estimated resources during fiscal year 2000.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. For fiscal year 2000, the Board passed temporary appropriations on June 21, 1999. No other appropriation measures were adopted until the final appropriations on June 19, 2000.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the proprietary funds.

5. Lapsing of 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 appropriation.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by the Putnam County Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 2000, investments were limited to STAR Ohio and Saxon Mortgaged Securities. The Saxon Mortgaged Securities were received by the School District as part of a nonexpendable trust. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000. Saxon Mortgaged Securities are reported at fair value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 was \$55,652, which included \$16,362 from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventory of the enterprise funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in the enterprise fund consists of donated and purchased food and is expensed when used.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to the enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of three to forty years.

I. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Long term loans are reported as a liability in the general long-term obligations account group until due.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Long-term debt and other obligations financed by the enterprise fund are reported as liabilities in the fund.

K. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, textbooks, budget stabilization, trust and encumbrances. In addition, a fund designation has been established for textbooks and instructional materials for the amount set aside by the District in excess of what is required by State statute.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for textbooks represents monies required to be set aside by State statute to purchase textbooks. The reserve for trust represents cash balance for the nonexpendable trust scholarship fund.

L. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development
- Child Care
- Education Management Information Systems
- School Net Professional Development
- Safe School Help Line
- Migrant
- Title VI-B
- Title I
- Innovative Education Program Strategies

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Reducing Class Size
Raising the Bar
Eisenhower
Drug Free
Title VI-B Preschool

Capital Projects Funds

SchoolNet Plus
Tech Equity
Distance Learning
Emergency Building Repair

Reimbursable Grants

General Fund

Driver Education

Special Revenue Fund

E-Rate

Enterprise Fund

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 61 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise fund that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, no amounts that have been specifically identified as contributed capital in the accompanying combined financial statements. All fund equity amounts pertaining to the enterprise funds has been classified as retained earnings.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
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O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - COMPLIANCE

1. Although no funds had deficit cash balances at year end the following funds had deficit balances ranging from \$2,017 to \$70,706 at various times throughout the fiscal year: Food Service Fund, Emergency Building Repair Fund, Migrant Fund, Title I Fund and the Innovative Education Program Strategies Fund.
2. The District failed to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year, as a result, the County Budget Commission was unable to provide the District with a certificate of estimated resources and all appropriations for fiscal year 2000 were in excess of estimated resources.
3. The District did not adopt permanent appropriations for fiscal year 2000 until June 20, 2000. As a result expenditures exceeded appropriations during most of the fiscal year and in the following funds at year end:

<u>Fund</u>	<u>Excess of Expenditures Over Appropriations</u>
Professional Development Fund	\$2,677
Child Care Grant Fund	190
Management Information System Fund	116
School Net Fund	192

4. Due to the fact that the District did not have appropriation authority for most of the fiscal year the Treasurer was unable to certify the availability of funds as required by Ohio Revised Code § 5705.41(D).

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, Drug Free, and Early Childhood Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$205,832	\$59,404	\$(729)	\$(20,213)
Revenue Accruals	86,728	(5,287)	729	2,309
Expenditure Accruals	(25,497)	(899)		(43,284)
Encumbrances Outstanding at Year End (Budget Basis)	(25,116)	(5,466)		(537)
Budget Basis	\$241,947	\$47,752		\$(61,725)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$2,963 in cash and cash equivalents held by the Putnam Educational Service Center which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agents". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$65,710 and the bank balance was \$102,663. The entire bank balance was covered by federal depository insurance.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or the School District's agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. The Saxon Mortgaged Securities is classified as Category 2 with a carrying amount and fair value of \$5,778. At June 30, 2000, the fair value of funds on deposit with STAR Ohio was \$817,431. Total carrying amount and fair value of investments is \$823,209.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$886,104	\$5,778
Cash and Cash Equivalents with Educational Service Center	(2,963)	
Investments:		
STAR Ohio	(817,431)	817,431
GASB Statement No. 3	\$65,710	\$823,209

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2000 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Putnam and Allen Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$65,978 in the General Fund and \$3,388 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 1999, was \$88,401 in the General Fund and \$4,117 in the Bond Retirement Debt Service Fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$32,478,150	80.24%	\$41,033,410	83.18%
Industrial/Commercial	2,556,080	6.31	2,628,080	5.32
Public Utility	2,607,520	6.44	2,459,690	4.99
Tangible Personal	2,835,467	7.01	3,205,079	6.51
Total Assessed Value	<u>\$40,477,217</u>	<u>100.00%</u>	<u>\$49,326,259</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.85		\$36.85	

NOTE 7 - INCOME TAXES

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was renewed on January 1, 1999 and continues for five years. 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$58,189
Less Accumulated Depreciation	<u>(34,367)</u>
Net Fixed Assets	<u><u>\$23,822</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/00</u>
Land and Improvements	\$78,410			\$78,410
Buildings and Improvements	2,004,466	\$36,519	\$92,012	1,948,973
Furniture, Fixtures, and Equipment	1,508,888	66,717	19,401	1,556,204
Vehicles	451,261	70,205	28,858	492,608
Totals	<u>\$4,043,025</u>	<u>\$173,441</u>	<u>\$140,271</u>	<u>\$4,076,195</u>

NOTE 9 - INTERFUND ASSETS/LIABILITIES

At June 30, 2000, the Food Service enterprise funds owed the General Fund \$4,024. This amount is represented as "Interfund Receivable/Payable" on the combined balance sheet.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted for the following insurance coverages:

Coverages provided by Indiana Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$12,475,975
Inland Marine (\$100 deductible)	\$133,240
Miscellaneous Property Coverage	\$18,800
Electronic Data Processing (\$100 deductible other than mechanical)	\$546,616
Automobile Liability	\$1,000,000
Auto Medical	\$5,000
Uninsured Motorists - Bodily Injury	\$1,000,000
Comprehensive Collision	Actual Cash Value Actual Cash Value

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

For fiscal year 2000, the District participated in the NOACSC Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each member pays the group rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the Educational Service Center pays an enrollment fee to the Plan to cover the costs of administering the program.

The District joined together with school districts and other entities to form the Putnam County Schools Insurance Group (PCSIG), an insurance purchasing pool. The PCSIG allows members to obtain health insurance at competitive rates through Medical Mutual of Ohio.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$112,189, \$144,048, and \$232,549, respectively; 62 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$42,843, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$27,320, \$36,603, and \$67,053, respectively; 51 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$13,386, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$149,585 for fiscal year 2000.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$54,622 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one-hundred eighty days for all school personnel. Upon retirement, payment is made for three-tenths of their accrued, but unused sick leave credit to a maximum of forty days for classified employees and thirty-seven and a half days for certified employees.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Mutual of Ohio. The School District has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the School District to most employees through Medical Mutual of Ohio.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/00</u>
1995 Energy Conservation Notes Payable 7%	\$193,246		\$30,587	\$162,659
Compensated Absences Payable	224,573	\$221,510	224,573	221,510
Intergovernmental Payable	18,826	29,257	18,826	29,257
Total General Long-Term Obligations	<u>\$436,645</u>	<u>\$250,767</u>	<u>\$273,986</u>	<u>\$413,426</u>

The energy conservation notes were issued for ten years, with final maturity during fiscal year 2005. Proceeds from the notes were used for energy conservation measures approved under House Bill 264. The notes are retired through the debt service fund.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$4,448,353 with an unvoted debt margin of \$49,426 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000 were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Energy Conservation Loans</u>
2001	\$43,435
2002	43,435
2003	43,435
2004	43,435
2005	21,718
Total	<u>\$195,458</u>

The amounts in the amortization schedule are estimates. Actual amounts may vary if payments are made on different dates or in different amounts.

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Playground</u>	<u>Total</u>
Operating Revenues	\$138,678	\$33,825		\$172,503
Operating Expenses Before Depreciation	155,786	33,199	\$468	189,453
Depreciation Expense	1,669			1,669
Operating Income (Loss)	(18,777)	626	(468)	(18,619)

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Playground</u>	<u>Total</u>
Non-Operating Revenues:				
Federal Donated Commodities	11,165			11,165
Operating Grants	29,085			29,085
Net Income (Loss)	21,473	626	(468)	21,631
Net Working Capital	(17,023)	9,164	567	(7,292)
Total Assets	25,207	9,164	567	34,938
Long-Term Liabilities	2,908			2,908
Total Equity	3,891	9,164	567	13,622
Encumbrances Outstanding (Budget Basis) at June 30, 1999		599	9	608

NOTE 16 - RESERVATIONS OF FUND BALANCE

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 1999			\$43,357
Current Year Set Aside Requirement	\$91,184	\$91,184	716
Current Year Offsets			
Qualifying Expenditures	<u>(64,293)</u>	<u>(91,184)</u>	
Balance June 30, 2000	<u>\$26,891</u>	<u></u>	<u>\$44,073</u>

Qualifying expenditures during fiscal year 2000 were \$141,926 for capital improvements, which was in excess of the required set aside.

Total reserve balance for the set asides at the end of the fiscal year was \$70,964.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

B. Blanchard Valley Cooperative Vocational Career Center

The Blanchard Valley Cooperative Vocational Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, Pam Barber, who serves as treasurer, 227 South West Street, Findlay, Ohio 45840-3377.

NOTE 18 - INSURANCE POOLS

A. Putnam County Schools Insurance Group

The Putnam County Schools Insurance Group is an insurance purchasing pool among nine local school districts, the Putnam County Board of MR/DD, and the Putnam County Educational Service Center. The insurance group is governed by an advisory committee consisting of each member's superintendent or designee and a teacher from each participating school district.

Financial information can be obtained from Kathleen Schmitz, who serves as treasurer, at P.O. Box 190, Ottawa, Ohio 45875.

B. NOACSC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as a group insurance purchasing pool.

The Safety Coordinator, Robert Lotz, of NOACSC, or his designee, serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 19 - SCHOOL FOUNDATION PROGRAM

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,268,764 of school foundation support for its General Fund.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTE 20 - CONTINGENT LIABILITIES

A. Grants

The School 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 School District at June 30, 2000.

B. Litigation

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

NOTE 21 - SUBSEQUENT EVENTS

On November 20, 2000, the Board of Education authorized the District to enter into an agreement with the Ohio School Facilities Commission for a \$15,928,333 building construction and renovation project. The project will be financed by an \$11,787,333 grant from the Ohio School Facilities Commission and through issuance of bonds in the amount of \$4,141,000. The bond issue was approved by the voters of the District on November 7, 2000.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Pandora-Gilboa Local School District
Putnam County
301 North Jefferson Street
P.O. Box 389
Pandora, Ohio 45877-0389

To the Board of Education:

We have audited the financial statements of Pandora-Gilboa Local School District, Putnam County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-10269-001 through 2000-10269-004. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2000.

Pandora-Gilboa Local School District
Putnam County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 20, 2000

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-10269-001

Noncompliance Citation

Ohio Revised Code § 5705.10 states that money paid into any fund shall be used only for the purposes for which the fund was 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. Although no funds had deficit cash balances at year end the following funds had deficit balances ranging from \$2,017 to \$70,706 at various times throughout the fiscal year: Food Service Fund, Emergency Building Repair Fund, Migrant Fund, Title I Fund and the Innovative Education Program Strategies Fund.

We recommend that the District monitor cash balances and request the Board of Education approve transfers or advances from the General Fund or reduce planned expenditures as necessary to avoid deficit balances.

FINDING NUMBER 2000-10269-002

Noncompliance Citation

Ohio Revised Code Sections 5705.39 states that total appropriations made during the fiscal year from any fund shall not exceed estimated resources.

The District failed to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year, as required by **Ohio Revised Code Section 5705.36**. Since the District did not make the appropriate certification, the County Budget Commission was unable to provide the District with a certificate of estimated resources and as a result all appropriations for fiscal year 2000 were in excess of estimated resources.

We recommend that the District file the certificate of total amounts available for expenditure and balance with the County Auditor on or about July 1 of each year, and that the District review estimated resources prior to making appropriations to ensure appropriations do not exceed these estimates.

FINDING NUMBER 2000-10269-003

Noncompliance Citation

Ohio Revised Code § 5705.38 states that a permanent appropriation measure is to be passed by October 1. Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

**FINDING NUMBER 2000-10269-003
 (Continued)**

The District did not adopt permanent appropriations for fiscal year 2000 until June 20, 2000. As a result expenditures exceeded appropriations for all funds during most of the fiscal year and in the following funds at year end:

Fund	Excess of Expenditures over Appropriations
Professional Development Fund	\$2,677
Child Care Grant Fund	190
Management Information System Fund	116
School Net Fund	192

We recommend that the District review the legal requirements for appropriating and expending the funds of the District, adopt appropriations for planned expenditures near the beginning of the fiscal year and monitor the appropriations throughout the year to ensure they are sufficient to support planned expenditures. The Treasurer should not issue purchase orders for expenditures that would exceed appropriations. The Treasurer should inform the Board of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Board should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

FINDING NUMBER 2000-10269-004

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certifications are to be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, at the time of the contract or purchase order, and at the time of the certificate, appropriated and free of any previous encumbrance, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

The Treasurer was unable to appropriately certify transactions since there was no appropriation authority for most of the fiscal year.

To improve controls over disbursements, we recommend that all District disbursements receive prior certification of the Treasurer and that the Board periodically review the expenditures made to ensure they are certified by the Treasurer and recorded against appropriations

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10269-001	ORC § 5705.38 permanent appropriations not adopted by October 1 and ORC § 5705.41(B) expenditures exceeding appropriations	No	This finding has been repeated in this report, with no improvement noted.
1999-10269-002	ORC § 5705.41(D) certifying of expenditures	No	This finding has been repeated in this report, with no improvement noted.



STATE OF OHIO
OFFICE OF THE AUDITOR

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PANDORA-GILBOA LOCAL SCHOOL DISTRICT

PUTNAM 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
JANUARY 16, 2001**