



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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 (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Pandora-Gilboa Local School District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Pandora-Gilboa Local School District
Putnam County
Independent Accountants' Report
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2003 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 30, 2003

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

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$766,068	\$75,221	\$178,781	\$5,248,601
Equity in pooled cash and cash equivalents - Nonexpendable trust fund				
Investments				
Cash with fiscal agent		1,094		
Receivables:				
Taxes - current and delinquent	1,326,159	20,142	239,514	45,992
Intergovernmental				12,404,115
Accounts	3,843			
Interfund loans receivable	11,500			
Prepayments	35,377			
Materials and supplies inventory				
Property, plant and equipment (net of accumulated depreciation where applicable)				
Restricted equity in pooled cash and cash equivalents	45,009			
Other debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	\$2,187,956	\$96,457	\$418,295	\$17,698,708

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$41,248	\$20,147			\$6,330,066
	1,837			1,837
	4,117			4,117
				1,094
				1,631,807
				12,404,115
				3,843
				11,500
				35,377
846				846
1,966		\$4,123,030		4,124,996
				45,009
			\$204,076	204,076
			4,285,170	4,285,170
\$44,060	\$26,101	\$4,123,030	\$4,489,246	\$29,083,853

(Continued)

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

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$53,440	\$7,150		\$62,291
Accrued wages and benefits	350,274	1,705		
Compensated absences payable	3,203			
Pension obligation payable	59,174	746		
Interfund loans payable				
Accrued interest payable				15,034
Deferred revenue	1,086,837	18,099	214,219	12,446,429
Due to students				
Undistributed monies				
Energy conservation notes payable				
Bond anticipation notes payable				600,000
Total liabilities	1,552,928	27,700	214,219	13,123,754
Equity and other credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	38,594	4,818		
Reserved for prepayments	35,377			
Reserved for debt service			178,781	
Reserved for tax revenue unavailable for appropriation	103,726	2,043	25,295	3,678
Reserved for principal endowment				
Reserved for budget stabilization	13,134			
Reserved for instructional materials	31,875			
Unreserved-undesignated	412,322	61,896		4,571,276
Total equity and other credits	635,028	68,757	204,076	4,574,954
Total liabilities, equity and other credits	\$2,187,956	\$96,457	\$418,295	\$17,698,708

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$3,267				\$126,148
10,977				362,956
99			\$181,406	184,708
6,648			36,081	102,649
11,500				11,500
				15,034
653				13,766,237
	\$19,519			19,519
	128			128
			130,759	130,759
			4,141,000	4,741,000
<u>33,144</u>	<u>19,647</u>		<u>4,489,246</u>	<u>19,460,638</u>
		\$4,123,030		4,123,030
10,916				10,916
				43,412
				35,377
				178,781
				134,742
	5,250			5,250
				13,134
				31,875
	1,204			5,046,698
<u>10,916</u>	<u>6,454</u>	<u>4,123,030</u>		<u>9,623,215</u>
<u>\$44,060</u>	<u>\$26,101</u>	<u>\$4,123,030</u>	<u>\$4,489,246</u>	<u>\$29,083,853</u>

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$1,600,432	\$13,353
Tuition	9,626	
Earnings on investments	69,171	
Extracurricular activities		102,218
Other local revenues	9,662	17,004
Other revenue		3,674
Intergovernmental - State	2,359,013	24,321
Intergovernmental - Federal		103,483
Total revenues	4,047,904	264,053
Expenditures:		
Current:		
Instruction:		
Regular	1,970,756	72,451
Special	201,686	92,131
Vocational	84,834	
Other	135,355	
Support services:		
Pupil	116,774	7,199
Instructional staff	135,695	45,803
Board of Education	17,181	
Administration	475,413	13,309
Fiscal	123,743	4,512
Operations and maintenance	312,913	441
Pupil transportation	284,822	
Central	5,160	
Community services	124	
Extracurricular activities	79,885	89,608
Facilities services	800	
Debt service:		
Principal retirement		
Interest and fiscal charges		
Total expenditures	3,945,141	325,454
Excess of revenues over (under) expenditures	102,763	(61,401)
Other financing sources:		
Proceeds of notes		
Excess of revenues and other financing sources over (under) expenditures	102,763	(61,401)
Fund balance, July 1	532,265	130,158
Fund balance, June 30	\$635,028	\$68,757

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$229,057	\$3,678		\$1,846,520
	134,192		9,626
			203,363
		\$500	102,218
			27,166
19,100	628,000		3,674
			3,030,434
			103,483
<u>248,157</u>	<u>765,870</u>	<u>500</u>	<u>5,326,484</u>
	43,627		2,086,834
			293,817
			84,834
			135,355
			123,973
	6,815		188,313
	269		17,181
4,034	559		488,991
			132,289
			313,913
			284,822
			5,160
			124
			169,493
	313,137		313,937
33,063			33,063
<u>10,372</u>	<u>15,034</u>		<u>25,406</u>
<u>47,469</u>	<u>379,441</u>		<u>4,697,505</u>
<u>200,688</u>	<u>386,429</u>	<u>500</u>	<u>628,979</u>
	4,141,000		4,141,000
200,688	4,527,429	500	4,769,979
<u>3,388</u>	<u>47,525</u>		<u>713,336</u>
<u>\$204,076</u>	<u>\$4,574,954</u>	<u>\$500</u>	<u>\$5,483,315</u>

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$1,151,550	\$1,506,820	\$355,270
Tuition	6,078	5,783	(295)
Earnings on investments	72,708	69,171	(3,537)
Extracurricular activities			
Other local revenues	1,053	1,002	(51)
Other revenue			
Intergovernmental - State	2,499,713	2,359,013	(140,700)
Intergovernmental - Federal			
Total revenues	<u>3,731,102</u>	<u>3,941,789</u>	<u>210,687</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,889,581	1,864,740	24,841
Special	192,863	190,327	2,536
Vocational	121,803	120,203	1,600
Other	137,421	135,614	1,807
Support services:			
Pupil	115,480	113,961	1,519
Instructional staff	129,520	127,818	1,702
Board of Education	16,701	16,480	221
Administration	480,622	474,302	6,320
Fiscal	137,688	135,879	1,809
Business	243	239	4
Operations and maintenance	333,473	329,088	4,385
Pupil transportation	275,146	271,528	3,618
Central	5,228	5,160	68
Community services	126	124	2
Extracurricular activities	76,755	75,746	1,009
Facilities services	812	800	12
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>3,913,462</u>	<u>3,862,009</u>	<u>51,453</u>
Excess of revenues over (under) expenditures	<u>(182,360)</u>	<u>79,780</u>	<u>262,140</u>
Other financing sources (uses):			
Refund of prior year's expenditures	9,104	8,660	(444)
Operating transfers in			
Advances in	4,229	4,024	(205)
Advances (out)	(11,654)	(11,500)	154
Proceeds from sale of notes			
Total other financing sources (uses)	<u>1,679</u>	<u>1,184</u>	<u>(495)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(180,681)</u>	<u>80,964</u>	<u>261,645</u>
Fund balances, July 1	644,908	644,908	
Prior year encumbrances appropriated	25,116	25,116	
Fund balances, June 30	<u>\$489,343</u>	<u>\$750,988</u>	<u>\$261,645</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$25,501	\$11,310	(\$14,191)	\$359,132	\$207,150	(\$151,982)
102,218	102,218				
53,842	16,292	(37,550)			
4,838	3,674	(1,164)			
32,028	24,322	(7,706)		19,100	19,100
135,408	102,827	(32,581)			
<u>353,835</u>	<u>260,643</u>	<u>(93,192)</u>	<u>359,132</u>	<u>226,250</u>	<u>(132,882)</u>
73,307	73,585	(278)			
91,127	91,474	(347)			
6,826	6,852	(26)			
44,629	44,799	(170)			
13,369	13,420	(51)			
7,209	7,236	(27)	4,035	4,034	1
439	441	(2)			
88,089	88,423	(334)			
			33,063	33,063	
			10,372	10,372	
<u>324,995</u>	<u>326,230</u>	<u>(1,235)</u>	<u>47,470</u>	<u>47,469</u>	<u>1</u>
<u>28,840</u>	<u>(65,587)</u>	<u>(94,427)</u>	<u>311,662</u>	<u>178,781</u>	<u>(132,881)</u>
657	499	(158)			
282	214	(68)			
<u>939</u>	<u>713</u>	<u>(226)</u>			
29,779	(64,874)	(94,653)	311,662	178,781	(132,881)
125,419	125,419				
5,465	5,465				
<u>\$160,663</u>	<u>\$66,010</u>	<u>(\$94,653)</u>	<u>\$311,662</u>	<u>\$178,781</u>	<u>(\$132,881)</u>

(Continued)

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

	Capital Projects		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$45,901		(\$45,901)
Tuition			
Earnings on investments	133,656	\$134,193	537
Extracurricular activities			
Other local revenues			
Other revenue			
Intergovernmental - State	625,506	628,000	2,494
Intergovernmental - Federal			
Total revenues	<u>805,063</u>	<u>762,193</u>	<u>(42,870)</u>
Expenditures:			
Current:			
Instruction:			
Regular	44,941	44,253	688
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff	6,921	6,815	106
Board of Education			
Administration	101	99	2
Fiscal			
Business			
Operations and maintenance	568	559	9
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities services	254,922	251,018	3,904
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>307,453</u>	<u>302,744</u>	<u>4,709</u>
Excess of revenues over (under) expenditures	<u>497,610</u>	<u>459,449</u>	<u>(38,161)</u>
Other financing sources (uses):			
Refund of prior year's expenditures			
Operating transfers in			
Advances in			
Advances (out)			
Proceeds from sale of notes	4,722,153	4,741,000	18,847
Total other financing sources (uses)	<u>4,722,153</u>	<u>4,741,000</u>	<u>18,847</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	5,219,763	5,200,449	(19,314)
Fund balances, July 1	47,615	47,615	
Prior year encumbrances appropriated	537	537	
Fund balances, June 30	<u>\$5,267,915</u>	<u>\$5,248,601</u>	<u>(\$19,314)</u>

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

<u>Total (Memorandum only)</u>		
<u>Budget Revised</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
\$1,582,084	\$1,725,280	\$143,196
6,078	5,783	(295)
206,364	203,364	(3,000)
102,218	102,218	
54,895	17,294	(37,601)
4,838	3,674	(1,164)
3,157,247	3,030,435	(126,812)
<u>135,408</u>	<u>102,827</u>	<u>(32,581)</u>
<u>5,249,132</u>	<u>5,190,875</u>	<u>(58,257)</u>
2,007,829	1,982,578	25,251
283,990	281,801	2,189
121,803	120,203	1,600
137,421	135,614	1,807
122,306	120,813	1,493
181,070	179,432	1,638
16,701	16,480	221
494,092	487,821	6,271
148,932	147,149	1,783
243	239	4
334,480	330,088	4,392
275,146	271,528	3,618
5,228	5,160	68
126	124	2
164,844	164,169	675
255,734	251,818	3,916
33,063	33,063	
<u>10,372</u>	<u>10,372</u>	
<u>4,593,380</u>	<u>4,538,452</u>	<u>54,928</u>
<u>655,752</u>	<u>652,423</u>	<u>(3,329)</u>
9,761	9,159	(602)
282	214	(68)
4,229	4,024	(205)
(11,654)	(11,500)	154
<u>4,722,153</u>	<u>4,741,000</u>	<u>18,847</u>
<u>4,724,771</u>	<u>4,742,897</u>	<u>18,126</u>
5,380,523	5,395,320	14,797
817,942	817,942	
<u>31,118</u>	<u>31,118</u>	
<u>\$6,229,583</u>	<u>\$6,244,380</u>	<u>\$14,797</u>

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

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS\FUND BALANCE
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating revenues:			
Tuition and fees	\$32,299		\$32,299
Sales/charges for services	156,893		156,893
Investment earnings		\$576	576
	<hr/>	<hr/>	<hr/>
Total operating revenues	189,192	576	189,768
	<hr/>	<hr/>	<hr/>
Operating expenses:			
Personal services	94,712		94,712
Contract services	8,018		8,018
Materials and supplies	105,644		105,644
Depreciation	1,515		1,515
Other operating expenses	213	400	613
	<hr/>	<hr/>	<hr/>
Total operating expenses	210,102	400	210,502
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(20,910)	176	(20,734)
	<hr/>	<hr/>	<hr/>
Nonoperating revenues:			
Operating grants	26,558		26,558
Federal commodities	11,987		11,987
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	38,545		38,545
	<hr/>	<hr/>	<hr/>
Net income	17,635	176	17,811
Retained earnings\Fund balance, July 1	(6,719)	5,778	(941)
	<hr/>	<hr/>	<hr/>
Retained earnings\Fund balance, June 30	<u>\$10,916</u>	<u>\$5,954</u>	<u>\$16,870</u>

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

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

STATEMENT OF CASH FLOWS
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:			
Cash received from tuition and fees	\$32,299		\$32,299
Cash received from sales/service charges	156,893		156,893
Cash payments for personal services	(87,827)		(87,827)
Cash payments for contract services	(8,018)		(8,018)
Cash payments for supplies and materials	(95,652)		(95,652)
Cash payments for other expenses	(213)	(\$400)	(613)
Net cash used in operating activities	(2,518)	(400)	(2,918)
Cash flows from noncapital financing activities:			
Cash received from operating grants	26,558		26,558
Cash received from interfund loans	11,500		11,500
Cash payments for interfund loans	(4,024)		(4,024)
Net cash provided by noncapital financing activities	34,034		34,034
Cash flows from investing activities:			
Interest received		437	437
Sale of investments		1,000	1,000
Net cash provided by investing activities		1,437	1,437
Net increase in cash and cash equivalents	31,516	1,037	32,553
Cash and cash equivalents at beginning of year	9,732	800	10,532
Cash and cash equivalents at end of year	<u>\$41,248</u>	<u>\$1,837</u>	<u>\$43,085</u>

(Continued)

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

STATEMENT OF CASH FLOWS
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(\$20,910)	\$176	(\$20,734)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	1,515		1,515
Federal donated commodities	11,987		11,987
Interest reported as operating revenue		(576)	(576)
Changes in assets and liabilities:			
Increase in supplies inventory	(381)		(381)
Decrease in prepayments	919		919
Increase in accounts payable	3,267		3,267
Increase in accrued wages and benefits	1,983		1,983
Decrease in compensated absences payable	(2,809)		(2,809)
Increase in pension obligation payable	6,648		6,648
Decrease in due to other governments	(4,925)		(4,925)
Increase in deferred revenue	188		188
Net cash used in operating activities	<u>(\$2,518)</u>	<u>(\$400)</u>	<u>(\$2,918)</u>

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Pandora-Gilboa Local School District (the District) 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 District serves an area of approximately sixty-six square miles.

The District was organized in 1951, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates one elementary school and one comprehensive high school. The District employs 40 non-certified and 53 certified (including administrative) full-time and part-time employees to provide services to approximately 640 students in grades K through 12 and various community groups, which ranks it 582nd out of approximately 682 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS:

Northwest Ohio Area Computer Services Cooperative

The 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

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

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 plus one representative from the fiscal agent school district. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Millstream Cooperative Career Center (Career Center)

The Millstream Cooperative 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 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 Pam Barber, Treasurer, Findlay City School District, 227 South West Street, Findlay, Ohio 45840-3377.

The District also participates in two insurance group purchasing pools, described in Note 12.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the 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 District for any purpose provided it is expended or transferred in accordance with applicable Ohio statute.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt 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 and Trust Funds).

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has 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.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Non-expendable Trust and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental funds, while Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary funds. Agency funds are custodial in nature, and results of operations are not measured. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

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 general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds and Nonexpendable Trust Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds and Nonexpendable Trust Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

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 enterprise funds and nonexpendable trust fund is 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 expendable trust funds. The full accrual basis of accounting is followed for the enterprise and nonexpendable trust funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

On the accrual basis of accounting, 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.

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

D. Budgets

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. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation, except as reported in Note 3.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001, in the following amounts:

	Increase/ (Decrease)
General Fund	(\$10,840)
Special Revenue Funds	114,186
Capital Projects Funds	245,321
Enterprise Funds	11,096
Expendable Trust Fund	500
Nonexpendable Trust Fund	400
Totals	\$360,663

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 13.

E. Cash and Investments

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

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
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During fiscal 2001, investments were limited to money market mutual funds, the State Treasury Asset Reserve of Ohio (STAR Ohio), and donated common stock.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts are reported at cost.

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, 2001.

Calculation of the Net Increase in the Fair Value of Investments - Aggregate Method	
Fair value at June 30, 2001	\$4,117
Add: Proceeds of investments matured in 2001	1,000
Fair value at June 30, 2000	<u>(4,978)</u>
Change in fair value of investments	<u><u>\$139</u></u>

In accordance with Ohio statute, the Board, by resolution, has specified which funds shall receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2001 amounted to \$69,171, which includes \$42,187 assigned from other funds.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

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 original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expenses when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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(Continued)

fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$100 and a useful life of less than five years. 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. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds

Equipment reflected in these funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	3 - 40

I. **Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Program

Special Revenue Funds

State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Reimbursable Grants

General Fund

Driver Education

Special Revenue Fund

Telecommunications (E-rate)

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

Proprietary Funds

National School Lunch Program
National School Milk Program

Non-Reimbursable Grants

Special Revenue Fund

SchoolNet Professional Development
Teacher Development
Management Information Systems
Special Education Preschool
Special Education Grants to States
Migrant Education
Eisenhower Grant
Drug-Free Schools
Title VI
Title I

Capital Projects Funds

Video Distance Learning
SchoolNet Plus
Tech Equity

Grants and entitlements amounted to over 57% of the District's operating revenue during the 2001 fiscal year.

J. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District’s interfund transactions for fiscal year 2001 is presented in Note 5.

K. Statutory Reserves

The District is required by state law to set aside certain General fund (cash basis) revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Balance at July 1, 2000	\$26,891		\$44,073
Required Set-Aside	93,093	\$93,093	
Qualifying Expenditures	(88,109)	(93,093)	
Change in Statutory Requirement			(30,939)
Balance at June 30, 2001	\$31,875		\$13,134

The District had offsets and qualifying disbursements during the year that reduced the capital maintenance set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements of future years and therefore has been excluded from the schedule.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for instructional materials	\$31,875
Amount restricted for budget stabilization	13,134
Total restricted assets	\$45,009

L. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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(Continued)

the future, all employees with at least ten (10) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

M. 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 a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

N. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, tax revenue unavailable for appropriation, debt service, instructional materials, and budget stabilization. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, fund equity is reserved for the amount of the principal endowment. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

O. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

P. 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 to create a reserve for budget stabilization.

Q. 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.

R. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position 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 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Prior Period Restatement

In prior years the District omitted some enterprise fund food service assets from its fixed asset listing and did not include depreciation for some of the other assets. For the enterprise fund, retained earnings decreased \$20,341 from \$13,622 to (\$6,719). This adjustment had no effect on the net income of the enterprise fund type as previously reported for the year ended June 30, 2000.

C. Deficit Fund Balances

Fund balances at June 30, 2001, included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Miscellaneous Federal Grants	\$ (145)
Title I - Instructional Programs	(202)

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

<u>Capital Projects Funds</u>	
Building Fund	(3,554)

These deficits, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

D. Noncompliance

Expenditures plus encumbrances exceeded appropriations plus prior year carryover encumbrances as follows:

	Prior Year Carry Over Plus Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds:			
Management Information Systems	\$5,883	\$6,239	\$356
Title I	19,474	20,651	1,177
Reducing Class Size		6,860	6,860
Capital Projects Funds:			
Technology Equity	7,827	8,194	367

Although there were no funds with deficit cash balances at fiscal year end, the following funds were found to have deficit balances sometime during fiscal year 2001 by a maximum of the amounts listed:

Fund	Maximum deficit at anytime throughout the year
Food Service Fund	\$17,931
EMIS Fund	1,859
Summer Intervention Fund	339
Title I Fund	18,548
Title VI-B Fund	26,406
Title VI Fund	1,781
Drug Free Fund	1,798

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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 180 days from the date of purchase in an amount not to exceed 25% percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse 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

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with Fiscal Agent: At year-end, \$1,094 was on deposit with the Putnam County Educational Service Center for pass-through grants and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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.

Deposits: At year-end, the carrying amount of the District's deposits was \$4,794,202 and the bank balance was \$4,990,112. Of the bank balance:

1. \$200,000 was covered by federal deposit insurance; and
2. \$4,790,112 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the 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 District's name. STAR Ohio and money market mutual funds are unclassified investments since they are not evidenced by securities which exist in physical or book entry form.

	Category 2	Fair Value
Common stock	\$4,117	\$4,117
Not Subject to Categorization:		
Investment in STAR Ohio		1,580,873
Money market mutual funds		1,837
Total Investments	\$4,117	\$1,586,827

The common stock, although not an authorized investment under current Ohio law, was donated to the District to endow the Nonexpendable Trust fund. No public funds were used to acquire the stock.

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

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$6,378,006	\$4,117
Investments of the Cash Management Pool:		
STAR Ohio	(1,580,873)	1,580,873
Money Market Mutual Funds	(1,837)	1,837
Cash with Fiscal Agent	(1,094)	
GASB Statement No. 3	\$4,794,202	\$1,586,827

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	Receivable	Payable
General Fund	\$11,500	
<u>Enterprise Funds</u>		
Uniform School Supplies		(\$11,500)
Total Interfund Loans	\$11,500	(\$11,500)

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value, and railroads, which are assessed at 29% of market value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue, which would otherwise have been collected.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

The assessed values upon which fiscal year 2001 taxes were collected are as follows:

	<u>2000 Second-Half Collections</u>		<u>2001 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/ Residential and Other Real Estate	\$43,661,490	88.50%	\$45,027,840	86.88%
Public Utility Personal Property	2,459,690	4.99%	2,605,460	5.03%
Tangible Personal Property	3,205,079	6.51%	4,192,240	8.09%
Total Assessed Value	\$49,326,259	100.00%	\$51,825,540	100.00%
Tax rate per \$1,000 of assessed valuation				
Operations	\$27.38		\$36.85	
Special Purpose			0.50	
Debt Service			6.19	
Permanent Improvements	0.90		0.90	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

Tangible personal property taxes 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 Putnam County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled \$103,726 in the General fund, \$25,295 in the Debt Service fund, \$3,678 in the Capital Project Permanent Improvements fund, and \$2,043 in the Special Revenue Maintenance fund.

NOTE 7 - INCOME TAX

The District levies a voted tax of .75% for general operations on the income of residents and of estates. The tax was renewed for a period of five years on January 1, 1999. 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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund, and totaled \$409,619 for fiscal 2001, which includes a receivable of \$135,596 at June 30, 2001.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees), interest, and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

Receivables	Amount
General Fund:	
Taxes - Current and Delinquent	\$1,326,159
Accounts	3,843
Special Revenue Funds:	
Taxes - Current and Delinquent	
Accounts	20,142
Due from Other Governments	
Debt Service Fund:	
Taxes - Current and Delinquent	239,514
Capital Projects Fund:	
Taxes - Current and Delinquent	45,992
Intergovernmental	12,404,115

NOTE 9 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

Asset Category	Balance at 7/1/2000	Additions	Deletions	Balance at 6/30/2001
Land / Improvements	\$78,410			\$78,410
Buildings / Improvements	1,948,973			1,948,973
Furniture / Equipment	1,556,204	\$65,784	\$47,695	1,574,293
Vehicles	492,608	57,604	28,858	521,354
Total	\$4,076,195	\$123,388	\$76,553	\$4,123,030

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$55,949
Less: Accumulated Depreciation	<u>53,983</u>
Total Net Assets	<u><u>\$1,966</u></u>

NOTE 10 - LONG-TERM OBLIGATIONS

On January 5, 1995, the District issued \$312,885 in Energy Conservation Notes, in accordance with the authority granted by H.B. 264.

Energy conservation notes outstanding are long-term general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation notes, H.B. 264 allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

On December 19, 2000 the District issued bond anticipation notes for the construction of a new school. The notes were retired with bonds issued by the District on July 10, 2001.

A. The following is a description of the District's long-term notes outstanding as of June 30, 2001:

	Interest Rate	Issue Date	Maturity Date	Original Amount	Balance at 7/1/00	Retired in Fiscal 2001	Balance at 6/30/01
Bond Anticipation Notes	4.75%	12/19/00	10/5/01	\$4,141,000	\$4,141,000		\$4,141,000
Energy Conservation Notes	7.00%	1/5/95	8/1/05	312,885	163,822	\$33,063	130,759

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Year Ending June 30	Energy Conservation Notes
2002	\$43,435
2003	43,435
2004	43,435
2005	<u>19,178</u>
Total Obligation	149,483
Less: Interest	<u>18,724</u>
Total Principal	<u><u>\$130,759</u></u>

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

	Balance at 7/1/00	Increase	Decrease	Balance at 6/30/01
Compensated Absences	\$221,510		\$40,104	\$181,406
Bond Anticipation Notes		\$4,141,000		4,141,000
Energy Conservation Notes	163,822		\$33,063	130,759
Pension Obligation	29,257	36,081	29,257	36,081
Total	<u>\$414,589</u>	<u>\$4,177,081</u>	<u>\$102,424</u>	<u>\$4,489,246</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$4,868,375 (including available funds of \$204,076), an unvoted debt margin of \$51,826, and an unvoted energy conservation debt margin of \$336,834.

NOTE 11 - NOTES PAYABLE

During fiscal 2001, subsequent to the passage of a bond issue in the November, 2000 general election, the District issued bond anticipation notes. These notes have been reported as a liability of the Building fund, which received the proceeds upon issuance. The District retired the notes in fiscal year 2002.

The following is a description of the District's outstanding bond anticipation notes at June 30, 2001:

	Interest Rate	Issue Date	Maturity Date	Notes Outstanding at 7/1/00	Issued in 2001	Retired in 2001	Notes Outstanding at 6/30/01
School Improvement Note	4.75%	12/19/00	10/5/01	<u> </u>	<u>\$600,000</u>	<u> </u>	<u>\$600,000</u>

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2001, the District contracted with Indiana Insurance Co. for the following lines of insurance:

Coverages provided by the Districts insurance carriers are as follows:

	Coverage
Building and Contents-Replacement cost (\$500 deductible)	\$12,295,438
Inland Marine Coverage (\$100 deductible)	133,240
Miscellaneous Property Coverage	18,800
Electronic Data Processing (\$100 deductible other than mechanical)	546,616

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(Continued)

Automobile Liability	1,000,000
Auto Medical	5,000
Uninsured Motorists - Bodily Injury	1,000,000
Comprehensive	Actual Cash Value
Collision	Actual Cash Value
Builders Risk (\$1,000 deductible)	12,826,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal 2000.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the "Plan"), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The District offers group medical, dental, and prescription insurances to all employees through Medical Mutual of Ohio. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Recreation. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

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FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

	Food Service	Uniform School Supplies	Recreation	Total
Operating Revenues	\$156,893	\$32,299		\$189,192
Depreciation Expense	1,515			1,515
Operating Loss	(15,666)	(4,709)	(\$535)	(20,910)
Non-operating Revenue:				
Operating Grants	26,558			26,558
Donated Federal Commodities	11,987			11,987
Net Income (Loss)	22,879	(4,709)	(535)	17,635
Net Working Capital	4,561	4,457	31	9,049
Total Assets	24,949	19,080	31	44,060
Long-term Liabilities:				
Payable from Fund Revenues	99			99
Total Fund Equity	6,428	4,457	31	10,916
Encumbrances Outstanding at June 30, 2001		8,873		8,873

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$29,392, \$27,320, and \$36,603, respectively; 56% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$12,942, which presents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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 information for STRS. 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% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$162,936, \$112,189, and \$144,048, respectively; 81% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$31,535, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 obligations 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 are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$77,181 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300.772 million and there were 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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% of the premium.

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FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$81,500 during the 2001 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$80,964	(\$64,874)	\$178,781	\$5,200,449
Net adjustment for revenue accruals	106,115	3,410	21,907	3,677
Net adjustment for expenditure accruals	(142,454)	(8,435)		(76,697)
Net adjustment for other financing sources/(uses)	(1,184)	(713)		(600,000)
Adjustment for encumbrances	59,322	9,211		
GAAP Basis	<u>\$102,763</u>	<u>(\$61,401)</u>	<u>\$200,688</u>	<u>\$4,527,429</u>

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

As of the balance sheet date, the District is involved in no litigation either as a plaintiff or defendant.

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 18 - OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2001, the District had the following outstanding contractual commitments:

<u>Purpose</u>	<u>Contractor</u>	<u>Amount</u>
Building design	Triad Architects	\$789,903
Construction management	RTBM	834,569
Bus Purchase	Cardinal Bus Sales	57,885

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

On July 10, 2001, the District issued \$4,141,000 in general obligation bonds. These general obligation bonds were used to retire bond anticipation notes, which were issued in fiscal year 2001 to finance the district's portion of an Ohio School Facilities Commission project to build a new school.

During fiscal year 2002 the District entered into contracts totaling \$12,700,247 for construction of a new school.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 the Pandora-Gilboa Local School District, Putnam County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10269-001. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the District in a separate letter dated January 30, 2003.

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 January 30, 2003.

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.



Betty Montgomery
Auditor of State

January 30, 2003

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

SCHEDULE OF FINDINGS
JUNE 30, 2001

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-10269-001

Noncompliance Citation

Ohio Revised Code § 5705.10 states 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 there were no funds with deficit cash balances at fiscal year end, the following funds were found to have deficit balances sometime during fiscal year 2001 by a maximum of the amounts listed:

<u>Fund</u>	<u>Maximum deficit at anytime throughout the year</u>
Food Service Fund	\$17,931
EMIS Fund	\$1,859
Summer Intervention Fund	\$339
Title I Fund	\$18,548
Title VI-B Fund	\$26,406
Title VI Fund	\$1,781
Drug Free Fund	\$1,798

We recommend the District make transfers or advances from the General Fund, or reduce planned expenditures as necessary to avoid deficit balances.

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

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10269-001	ORC § 5705.10 deficit fund cash balances	No	Finding has not been corrected and is repeated in this report as finding number 2001-10269-001.
2000-10269-002	ORC § 5705.39 appropriations exceeded estimated resources	Yes	
2000-10269-003	ORC § 5705.38 Permanent appropriations not passed by October 1	No	Some improvement has been made reducing this to a management letter comment.
2000-10269-004	ORC § 5705.41(D) certification of funds	No	Some improvement has been made reducing this to a management letter comment.



**Auditor of State
Betty Montgomery**

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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
MARCH 11, 2003**