



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types and Expendable Trust Fund	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Equity - Proprietary Fund Type and Nonexpendable Trust Fund	14
Combined Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Fund	15
Notes to the General-Purpose Financial Statements.....	17
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47
Schedule of Findings	49
Schedule of Prior Audit Findings.....	50

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Pandora-Gilboa Local School District
Putnam County
410 Rocket Ridge
Pandora, Ohio 45877-9607

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Pandora-Gilboa Local School District, Putnam County, (the District) as of and for the year ended June 30, 2003, 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 the Pandora-Gilboa Local School District as of June 30, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2004 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

December 28, 2004

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$ 748,342	\$ 100,936	\$ 138,093	\$ 4,831,265
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-
Cash with escrow agent	-	-	-	207,950
Receivables:				
Property taxes - current and delinquent	1,304,167	23,384	283,009	-
Accounts	92	25,000	-	-
Due from other funds	2,709	-	-	-
Due from other governments	-	8,933	-	620,667
Materials and supplies inventory	-	-	-	-
Prepayments	28,382	-	-	8,053
Restricted assets:				
Equity in pooled cash and cash equivalents	43,707	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
Other Debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 2,127,399	\$ 158,253	\$ 421,102	\$ 5,667,935

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 31,568	\$ 20,787	\$ -	\$ -	\$ 5,870,991
-	5,377	-	-	5,377
-	-	-	-	207,950
-	-	-	-	1,610,560
-	500	-	-	25,592
-	-	-	-	2,709
-	-	-	-	629,600
3,563	-	-	-	3,563
-	-	-	-	36,435
-	-	-	-	43,707
2,547	-	15,454,478	-	15,457,025
-	-	-	183,448	183,448
-	-	-	4,139,056	4,139,056
\$ 37,678	\$ 26,664	\$ 15,454,478	\$ 4,322,504	\$ 28,216,013

(Continued)

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 6,371	\$ 255	\$ -	\$ 10,085
Contracts payable	-	-	-	324,873
Retainage payable	-	-	-	207,950
Accrued wages and benefits	373,189	212	-	-
Compensated absences payable	24,930	-	-	-
Pension obligation payable	59,560	-	-	-
Due to other funds	-	2,709	-	-
Deferred revenue	1,075,925	22,037	260,100	620,667
Due to other governments	16,001	81	-	-
Due to students	-	-	-	-
Energy conservation loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities	1,555,976	25,294	260,100	1,163,575
Equity and Other Credits:				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balances:				
Reserved for encumbrances	113,186	6,421	-	3,795,474
Reserved for prepayments	28,382	-	-	8,053
Reserved for tax revenue unavailable for appropriation	87,634	1,891	22,909	-
Reserved for school bus purchases	43,707	-	-	-
Reserved for principal endowment	-	-	-	-
Unreserved-undesignated	298,514	124,647	138,093	700,833
Total equity and other credits	571,423	132,959	161,002	4,504,360
Total liabilities, equity and other credits	\$ 2,127,399	\$ 158,253	\$ 421,102	\$ 5,667,935

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ -	\$ -	\$ -	\$ -	\$ 16,711
-	-	-	-	324,873
-	-	-	-	207,950
15,583	-	-	-	388,984
2,939	-	-	237,264	265,133
6,000	-	-	26,043	91,603
-	-	-	-	2,709
-	-	-	-	1,978,729
366	128	-	-	16,576
-	20,159	-	-	20,159
-	-	-	58,852	58,852
-	-	-	4,000,345	4,000,345
<u>24,888</u>	<u>20,287</u>	<u>-</u>	<u>4,322,504</u>	<u>7,372,624</u>
-	-	15,454,478	-	15,454,478
12,790	-	-	-	12,790
-	-	-	-	3,915,081
-	-	-	-	36,435
-	-	-	-	112,434
-	-	-	-	43,707
-	5,250	-	-	5,250
-	1,127	-	-	1,263,214
<u>12,790</u>	<u>6,377</u>	<u>15,454,478</u>	<u>-</u>	<u>20,843,389</u>
<u>\$ 37,678</u>	<u>\$ 26,664</u>	<u>\$ 15,454,478</u>	<u>\$ 4,322,504</u>	<u>\$ 28,216,013</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$ 1,561,210	\$ 23,872
Tuition	46,404	-
Earnings on investments	32,911	-
Extracurricular activities	-	81,734
Other local revenues	85,033	8,937
Proceeds from Pepsi contract	-	25,000
Intergovernmental - State	2,693,470	26,709
Intergovernmental - Federal	-	159,768
Total revenues	<u>4,419,028</u>	<u>326,020</u>
Expenditures:		
Current:		
Instruction:		
Regular	2,274,213	87,290
Special	359,251	70,914
Vocational	70,520	-
Other	4,106	-
Support services:		
Pupil	96,228	2,697
Instructional staff	196,630	57,391
Board of Education	26,467	-
Administration	555,805	20,047
Fiscal	165,891	5,591
Business	102	-
Operations and maintenance	300,587	-
Pupil transportation	260,147	-
Central	4,586	-
Community services	2,559	-
Extracurricular activities	105,835	88,187
Facilities acquisition and construction	4,237	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	<u>4,427,164</u>	<u>332,117</u>
Excess of revenues over (under) expenditures	<u>(8,136)</u>	<u>(6,097)</u>
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	(76,869)	-
Proceeds from insurance settlement	-	-
Proceeds from sale of fixed assets	746	-
Total other financing sources (uses)	<u>(76,123)</u>	<u>-</u>
Excess of revenues and other financing sources over/ (under) expenditures and other financing uses	(84,259)	(6,097)
Fund balances, July 1	655,682	139,056
Fund balances, June 30	<u><u>\$ 571,423</u></u>	<u><u>\$ 132,959</u></u>

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 335,143	\$ -	\$ -	\$ 1,920,225
-	-	-	46,404
-	115,258	-	148,169
-	-	-	81,734
-	-	-	93,970
-	-	500	25,500
36,851	3,856,520	-	6,613,550
-	-	-	159,768
<u>371,994</u>	<u>3,971,778</u>	<u>500</u>	<u>9,089,320</u>
-	-	-	2,361,503
-	-	-	430,165
-	-	-	70,520
-	-	-	4,106
-	-	-	98,925
-	20,200	-	274,221
-	-	-	26,467
-	-	-	575,852
7,414	-	-	178,896
-	-	-	102
-	-	-	300,587
-	-	-	260,147
-	-	-	4,586
-	-	-	2,559
-	-	-	194,022
-	10,104,323	-	10,108,560
157,320	-	-	157,320
194,777	-	-	194,777
<u>359,511</u>	<u>10,124,523</u>	<u>-</u>	<u>15,243,315</u>
<u>12,483</u>	<u>(6,152,745)</u>	<u>500</u>	<u>(6,153,995)</u>
-	76,869	-	76,869
-	-	-	(76,869)
-	584,633	-	584,633
-	-	-	746
-	<u>661,502</u>	<u>-</u>	<u>585,379</u>
12,483	(5,491,243)	500	(5,568,616)
148,519	9,995,603	500	10,939,360
<u>\$ 161,002</u>	<u>\$ 4,504,360</u>	<u>\$ 1,000</u>	<u>\$ 5,370,744</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$ 1,528,044	\$ 1,516,602	\$ (11,442)
Tuition	34,290	46,404	12,114
Earnings on investments	35,000	32,911	(2,089)
Extracurricular activities	-	-	-
Other local revenues	73,216	74,307	1,091
Intergovernmental - State	2,679,708	2,693,470	13,762
Intergovernmental - Federal	-	-	-
Total revenues	<u>4,350,258</u>	<u>4,363,694</u>	<u>13,436</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,233,652	2,250,276	(16,624)
Special	391,843	354,471	37,372
Vocational	110,179	97,743	12,436
Other	4,107	4,106	1
Support services:			
Pupil	96,260	106,497	(10,237)
Instructional staff	213,255	194,316	18,939
Board of Education	25,135	23,556	1,579
Administration	643,172	564,617	78,555
Fiscal	172,953	166,395	6,558
Business	237	102	135
Operations and maintenance	326,442	308,400	18,042
Pupil transportation	290,772	271,471	19,301
Central	6,309	4,586	1,723
Community services	1,217	2,559	(1,342)
Extracurricular activities	109,621	101,127	8,494
Facilities acquisition and construction	59,927	63,575	(3,648)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>4,685,081</u>	<u>4,513,797</u>	<u>171,284</u>
Excess of revenues over (under) expenditures	<u>(334,823)</u>	<u>(150,103)</u>	<u>184,720</u>
Other financing sources (uses):			
Operating transfers in	89,793	-	(89,793)
Operating transfers out	(153,738)	(76,869)	76,869
Proceeds from insurance settlement	-	-	-
Proceeds from sale of fixed assets	-	746	746
Refund of prior year expenditure	10,634	10,634	-
Total other financing sources (uses)	<u>(53,311)</u>	<u>(65,489)</u>	<u>(12,178)</u>
Excess of revenues and other financing sources over/ (under) expenditures and other financing uses	<u>(388,134)</u>	<u>(215,592)</u>	<u>172,542</u>
Fund balances, July 1	<u>776,710</u>	<u>776,710</u>	<u>-</u>
Prior year encumbrances appropriated	<u>111,383</u>	<u>111,383</u>	<u>-</u>
Fund balances, June 30	<u><u>\$ 499,959</u></u>	<u><u>\$ 672,501</u></u>	<u><u>\$ 172,542</u></u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 23,297	\$ 23,415	\$ 118	\$ 343,435	\$ 330,000	\$ (13,435)
-	-	-	-	-	-
-	-	-	-	-	-
81,607	81,733	126	-	-	-
16,640	8,808	(7,832)	-	-	-
25,999	24,312	(1,687)	40,000	36,851	(3,149)
165,436	152,991	(12,445)	-	-	-
<u>312,979</u>	<u>291,259</u>	<u>(21,720)</u>	<u>383,435</u>	<u>366,851</u>	<u>(16,584)</u>
97,627	91,463	6,164	-	-	-
71,098	70,128	970	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,504	2,706	798	-	-	-
66,613	60,750	5,863	-	-	-
-	-	-	-	-	-
27,457	20,165	7,292	-	-	-
5,625	5,605	20	8,901	7,414	1,487
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
94,771	94,883	(112)	-	-	-
-	-	-	-	-	-
-	-	-	157,320	157,320	-
-	-	-	194,777	194,777	-
<u>366,695</u>	<u>345,700</u>	<u>20,995</u>	<u>360,998</u>	<u>359,511</u>	<u>1,487</u>
<u>(53,716)</u>	<u>(54,441)</u>	<u>(725)</u>	<u>22,437</u>	<u>7,340</u>	<u>(15,097)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
125	125	-	-	-	-
<u>125</u>	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(53,591)	(54,316)	(725)	22,437	7,340	(15,097)
115,963	115,963	-	130,753	130,753	-
30,011	30,011	-	-	-	-
<u>\$ 92,383</u>	<u>\$ 91,658</u>	<u>\$ (725)</u>	<u>\$ 153,190</u>	<u>\$ 138,093</u>	<u>\$ (15,097)</u>

(Continued)

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Capital Projects		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$ -	\$ -	\$ -
Tuition	-	-	-
Earnings on investments	120,000	115,258	(4,742)
Extracurricular activities	-	-	-
Other local revenues	-	-	-
Intergovernmental - State	2,400	3,856,520	3,854,120
Intergovernmental - Federal	-	-	-
Total revenues	<u>122,400</u>	<u>3,971,778</u>	<u>3,849,378</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	-	-
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
Support services:			
Pupil	-	-	-
Instructional staff	21,628	21,400	228
Board of Education	-	-	-
Administration	-	-	-
Fiscal	-	-	-
Business	-	-	-
Operations and maintenance	-	-	-
Pupil transportation	-	-	-
Central	-	-	-
Community services	-	-	-
Extracurricular activities	-	-	-
Facilities acquisition and construction	14,686,026	14,169,560	516,466
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>14,707,654</u>	<u>14,190,960</u>	<u>516,694</u>
Excess of revenues over (under) expenditures	<u>(14,585,254)</u>	<u>(10,219,182)</u>	<u>4,366,072</u>
Other financing sources (uses):			
Operating transfers in	-	76,869	76,869
Operating transfers out	-	-	-
Proceeds from insurance settlement	5,085,600	584,633	(4,500,967)
Proceeds from sale of fixed assets	-	-	-
Refund of prior year expenditure	-	-	-
Total other financing sources (uses)	<u>5,085,600</u>	<u>661,502</u>	<u>(4,424,098)</u>
Excess of revenues and other financing sources over/ (under) expenditures and other financing uses	<u>(9,499,654)</u>	<u>(9,557,680)</u>	<u>(58,026)</u>
Fund balances, July 1	<u>(2,031,412)</u>	<u>(2,031,412)</u>	<u>-</u>
Prior year encumbrances appropriated	<u>12,497,876</u>	<u>12,497,876</u>	<u>-</u>
Fund balances, June 30	<u>\$ 966,810</u>	<u>\$ 908,784</u>	<u>\$ (58,026)</u>

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENTS.

Total (Memorandum only)

Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 1,894,776	\$ 1,870,017	\$ (24,759)
34,290	46,404	12,114
155,000	148,169	(6,831)
81,607	81,733	126
89,856	83,115	(6,741)
2,748,107	6,611,153	3,863,046
165,436	152,991	(12,445)
<u>5,169,072</u>	<u>8,993,582</u>	<u>3,824,510</u>
2,331,279	2,341,739	(10,460)
462,941	424,599	38,342
110,179	97,743	12,436
4,107	4,106	1
99,764	109,203	(9,439)
301,496	276,466	25,030
25,135	23,556	1,579
670,629	584,782	85,847
187,479	179,414	8,065
237	102	135
326,442	308,400	18,042
290,772	271,471	19,301
6,309	4,586	1,723
1,217	2,559	(1,342)
204,392	196,010	8,382
14,745,953	14,233,135	512,818
157,320	157,320	-
194,777	194,777	-
<u>20,120,428</u>	<u>19,409,968</u>	<u>710,460</u>
<u>(14,951,356)</u>	<u>(10,416,386)</u>	<u>4,534,970</u>
89,793	76,869	(12,924)
(153,738)	(76,869)	76,869
5,085,600	584,633	(4,500,967)
-	746	746
10,759	10,759	-
<u>5,032,414</u>	<u>596,138</u>	<u>(4,436,276)</u>
(9,918,942)	(9,820,248)	98,694
<u>(1,007,986)</u>	<u>(1,007,986)</u>	<u>-</u>
12,639,270	12,639,270	-
<u>\$ 1,712,342</u>	<u>\$ 1,811,036</u>	<u>\$ 98,694</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS/FUND EQUITY
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Sales and charges for services	\$ 147,968	\$ -	\$ 147,968
Operating expenses:			
Personal services	110,513	-	110,513
Contract services	3,684	-	3,684
Materials and supplies	105,461	-	105,461
Depreciation	44	-	44
Other	418	35	453
Total operating expenses	220,120	35	220,155
Operating loss	(72,152)	(35)	(72,187)
Nonoperating revenues:			
Grants and contributions	43,971	-	43,971
Federal commodities	20,432	-	20,432
Total nonoperating revenues (expenses)	64,403	-	64,403
Net loss	(7,749)	(35)	(7,784)
Retained earnings/fund equity, July 1	20,539	5,412	25,951
Retained earnings/fund equity, June 30	\$ 12,790	\$ 5,377	\$ 18,167

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENTS.

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Cash flows from operating activities:			
Cash received from sales and service charges	\$ 147,968	\$ -	\$ 147,968
Cash payments for personal services	(106,457)	-	(106,457)
Cash payments for contract services	(3,686)	-	(3,686)
Cash payments for materials and supplies	(87,894)	-	(87,894)
Cash payments for other expenses	(418)	(35)	(453)
Net cash used in operating activities	(50,487)	(35)	(50,522)
Cash flows from noncapital financing activities:			
Cash received from grants and contributions	47,840	-	47,840
Net cash provided by noncapital financing activities	47,840	-	47,840
Cash flows from capital financing activities:			
Cash payments for the acquisition of capital assets	(1,500)	-	(1,500)
Net cash used in capital financing activities	(1,500)	-	(1,500)
Cash flows from investing activities:			
Cash received from sale of investments	-	2,094	2,094
Net cash provided by investing activities	-	2,094	2,094
Net increase (decrease) in cash and cash equivalents	(4,147)	2,059	(2,088)
Cash and cash equivalents at beginning of year	35,715	3,318	39,033
Cash and cash equivalents at end of year	\$ 31,568	\$ 5,377	\$ 36,945

(Continued)

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating loss	\$ (72,152)	\$ (35)	\$ (72,187)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	44	-	44
Federal donated commodities	20,432	-	20,432
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(2,354)	-	(2,354)
Decrease in accounts payable	(513)	-	(513)
Increase in accrued wages and benefits	1,689	-	1,689
Increase in compensated absences payable	1,937	-	1,937
Increase in pension obligation payable	342	-	342
Increase in due to other governments	88	-	88
Net cash used in operating activities	\$ (50,487)	\$ (35)	\$ (50,522)

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENTS.

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The 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 Uren 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 24 non-certified and 51 certified (including administrative) full-time and part-time employees to provide services to approximately 623 students in grades K through 12 and various community groups, which ranks it 593 out of approximately 740 public and community school districts in Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. 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*". 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

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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 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 on 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 an insurance group purchasing pool, described in Note 11.

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

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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 - The 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.

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 - The 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 is the District's proprietary fund type.

Enterprise Funds - The 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,

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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, nonexpendable trust, and agency funds. The 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. At June 30, 2003, there were no material accruals for the agency funds.

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.

C. Measurement Focus/Basis of Accounting

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

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2003, but which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003, 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 § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The proprietary funds and nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities 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 revenues.

On the accrual basis of accounting, revenue from non-exchange transactions, such as property taxes, grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met.

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 2003 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

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.

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. Total 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.
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/functions and object codes completed the year within the amount of their legally authorized cash basis appropriation.
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 2003.
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 and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 12.

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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" on the combined balance sheet.

During fiscal 2003, 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 such as nonnegotiable certificates of deposit 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, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically assigned to another fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$32,911, which includes \$19,293 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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.

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

F. Inventory

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

G. Prepayments

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 fiscal year-end, because

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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 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

Furniture and 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 and Equipment	3 - 40

I. 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.

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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.
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 2003 is presented in Note 5.

J. 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 expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in 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

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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.

K. 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.

L. 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, and school bus purchases. 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.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use for school bus purchases. A fund balance reserve has also been established. See Note 17 for details.

N. Estimates

The preparation of financial statements in conformity with GAAP 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.

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

O. Memorandum Only - Total Columns

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND PRIOR PERIOD ADJUSTMENT

A. Accountability - Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit Balance</u>
Special Revenue Funds:	
Teacher Development	\$ 4
Ohio Read	4
Miscellaneous Federal Grants	214

These GAAP-basis deficits 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.

B. Prior Period Adjustment/Correction of an Error

During fiscal year 2002 \$22,446 due the General Fund was incorrectly reported in the Debt Service Fund. This change had the following affect on fund balance/equity as previously reported:

<u>Fund Type</u>	<u>Fund Balance/ Equity as Previously Reported at 6/30/2002</u>	<u>Adjustments</u>	<u>Adjusted Fund Balance/ Equity at 7/1/2002</u>
General	\$ 633,236	\$ 22,446	\$ 655,682
Debt Service	170,965	(22,446)	148,519

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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.

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 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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 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.

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 \$3,500,846 and the bank balance was \$4,292,733. Of the bank balance \$300,000 was covered by federal depository insurance and \$3,992,733 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District 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 no load mutual funds are unclassified investments since they are not evidenced by securities which exist in physical or book entry form.

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	Fair Value
Not subject to categorization:	
Money market mutual fund	\$ 5,377
Investment in STAR Ohio	2,621,802
	\$ 2,627,179

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".

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	\$ 6,128,025	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(2,621,802)	2,621,802
Money market mutual fund	(5,377)	5,377
GASB Statement No. 3	\$ 3,500,846	\$ 2,627,179

5. INTERFUND TRANSACTIONS

A. The following is a summarization of the District's operating transfers for the year ended June 30, 2003:

	Transfers-In	Transfers-Out
General Fund	\$ -	\$ 76,869
Capital Projects Fund		
Classroom Facilities	76,869	-
Total	\$ 76,869	\$ 76,869

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

B. The following is a summarized breakdown of amounts “due to” and due from” other funds:

	Due to Other Funds	Due from Other Funds
General Fund	\$ -	\$ 2,709
Special Revenue Fund		
Title VI	2,709	-
Total	\$ 2,709	\$ 2,709

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 percent 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 percent of market value and personal property is assessed at varying rates of true 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 percent 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.

The assessed value upon which the 2002 taxes were collected was \$52,709,129. Agricultural/residential and public utility/minerals real estate represented \$44,696,830 or 84.80 percent of this total; commercial & industrial real estate represented \$2,551,180 or 4.84 percent of this total, public utility tangible represented \$1,991,580 or 3.78 percent of this total and general tangible property represented \$3,469,539 or 6.58 percent of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$37.35 per \$1,000.00 of assessed valuation for operations, and \$6.00 per \$1,000.00 of assessed valuation for debt service.

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.

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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 receivables represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2003. 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, 2003, 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 § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003, totaled \$87,634 in the general fund, \$22,909 in the debt service fund, and \$1,891 in the Classroom Facilities Maintenance special revenue fund.

7. INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was renewed effective January 1, 1999 for a five year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund, and totaled \$417,515 for fiscal year 2003, which includes a receivable of \$140,608 at June 30, 2003.

8. RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts, due from other funds and intergovernmental grants (to the extent that eligibility requirements have been met by fiscal year-end). Intergovernmental grants receivable have been presented as "Due from Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	Amounts
General Fund	
Taxes - current and delinquent	\$ 1,304,167
Special Revenue Funds	
Taxes - current and delinquent	23,384
Debt Service Funds	
Taxes - current and delinquent	283,009
Capital Projects Funds	
Due from other governments	620,667

9. FIXED ASSETS

The following changes occurred in the general fixed assets account group during the year:

	Restated Balance 07/01/02	Additions	Deletions	Balance 06/30/03
Land/improvements	\$ 78,410	\$ -	\$ -	\$ 78,410
Buildings/improvements	1,948,973	-	-	1,948,973
Furniture/equipment	1,500,052	89,122	49,350	1,539,824
Vehicles	479,192	58,260	35,732	501,720
Construction in progress	1,929,855	9,455,696	-	11,385,551
Total	\$ 5,936,482	\$ 9,603,078	\$ 85,082	\$15,454,478

The construction-in-progress at June 30, 2003, represents costs incurred by fiscal year-end related to the Construction Project outlined in Note 10A.

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 57,449
Less: accumulated depreciation	(54,902)
Net fixed assets	\$ 2,547

10. LONG-TERM OBLIGATIONS

A. On June 1, 2002, the District issued general obligation bonds to provide funds for the construction of a new school building for pre-kindergarten through high school

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

(hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment s derived from a current 6.00 mills bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2003, the total estimated cost of the Construction Project is \$17,552,000, of which OSFC will pay approximately \$12,709,000.

In conjunction with the 6.00 mills which support the bond issue, the District also passed in fiscal year 2002, a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been re ported in the special revenue funds.

The issue is comprised of both current interest bonds, par value \$4,025,000, and capital appreciation bonds, par value \$330,000. The interest rates on the current interest bonds range from 4.00% to 5.125%. The capital appreciation bonds mature on December 1, 2009 (effective interest 12.455%) and December 1, 2010 (effective interest 12.455%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2003 was \$116,000. As of June 30, 2003, \$29,345 of accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30, 2003.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2024.

The following is a schedule of activity for fiscal 2003 on the 2002 series general obligation bonds:

	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Current interest bonds	\$ 3,975,000	\$ -	\$ 120,000	\$ 3,855,000
Capital appreciation bonds	116,000			116,000
Accreted interest	13,247	16,098		29,345
Total General Long-Term Obligations	<u>\$4,104,247</u>	<u>\$16,098</u>	<u>\$120,000</u>	<u>\$4,000,345</u>

The following is a summary of the future debt service requirements to maturity for the 2003 series general obligation bonds:

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Fiscal Year Ending June 30	General Obligation Bonds		Interest	Total
	Serial	Capital		
2004	\$ 125,000		\$ 183,763	\$ 308,763
2005	135,000		178,562	313,562
2006	145,000		172,963	317,963
2007	150,000		167,062	317,062
2008	155,000		160,963	315,963
2009-2013	500,000	\$ 330,000	742,862	1,572,862
2014-2018	1,035,000		547,688	1,582,688
2019-2023	1,310,000		251,636	1,561,636
2024	300,000		7,688	307,688
Total	<u>\$ 3,855,000</u>	<u>\$ 330,000</u>	<u>\$ 2,413,187</u>	<u>\$ 6,598,187</u>

- B.** 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. 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.

The following is a description of the District's long term energy conservation notes outstanding as of June 30, 2003:

Purpose	Interest Rate	Issue Date	Maturity Date	Original Amount	Balance at 7/1/02	Reductions	Balance at 6/30/03
Energy Conservation Notes	7.00%	1/5/1995	10/1/2004	<u>\$ 312,885</u>	<u>\$ 96,172</u>	<u>\$ (37,320)</u>	<u>\$ 58,852</u>

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

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Year ended June 30	Energy Conservation Notes
2004	\$ 43,435
2005	21,718
Total Obligation	65,153
Less Interest	(6,301)
Total Principal	\$ 58,852

- C. During the year ended June 30, 2003, 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.

	Balance 07/01/02	Increase	Decrease	Balance 06/30/03
Compensated absences	\$ 244,683	\$ -	\$ (7,419)	\$ 237,264
Energy conservation notes	96,172		(37,320)	58,852
Pension obligation	34,313	26,043	(34,313)	26,043
G.O. bonds payable	4,104,247	16,098	(120,000)	4,000,345
Total	\$4,479,415	\$42,141	(\$199,052)	\$4,322,504

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school 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 effects of these debt limitations for the District at June 30, 2003, are a voted debt margin of \$926,925 (including available funds of \$183,448) and an unvoted debt margin of \$52,709, and an energy conservation debt margin of \$415,530.

11. 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 2003, the District contracted with Ohio Schools Risk Sharing Authority for property, fleet, and liability insurance.

Coverage's provided by the District's insurance carrier's are as follows:

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

General Liability:	
Per occurrence	\$ 4,000,000
Per year	6,000,000
Fire Legal Liability	500,000
Medical Payments:	
Per occurrence	1,000
Per year	5,000
Educator's Legal Liability:	
Errors or Omissions Cover	4,000,000
Automobile Liability:	
Owned/leased Vehicles	4,000,000
Hired and Non-Owned Vehicles	Included
Medical payments:	
Per occurrence	1,000
Per year	5,000
Automobile Physical Damage:	100,000
Property:	
(Includes Inland Marine, Miscellaneous Equipment, and Automobile Physical Damage)	14,082,200
Crime Cover:	
(Includes Employee Dishonesty, Faithful Performance of Duty, Forgery or Alteration, Computer Fraud, Theft, Disappearance, and Destruction)	50,000

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 year 2002.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the "GRP"), an insurance purchasing pool. The GRP 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 GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP 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

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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 14. As such, no funding provisions are required by the District.

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food services and uniform school supplies. 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, 2003.

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Total operating revenues	\$ 147,968	\$ -	\$ 147,968
Depreciation expense	44	-	44
Total operating expenses	207,878	12,242	220,120
Operating loss	(59,910)	(12,242)	(72,152)
Non-operating revenues:			
Operating grants	43,971	-	43,971
Federal donated commodities	20,432	-	20,432
Net income/(loss)	4,493	(12,242)	(7,749)
Net working capital	15,372	-	15,372
Total assets	37,678	-	37,678
Long-term liabilities			
Payable from fund revenues	5,129	-	5,129
Total fund equity	12,790	-	12,790
Encumbrances at 06/30/03	345	-	345

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

13. 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute 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 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14 percent for 2003, 8.17 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$69,875, \$90,627, and \$97,804, respectively; 55.98 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$30,756 represents the unpaid contribution for fiscal year 2003.

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$289,758, \$286,344, and \$240,117, respectively; 82.55 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$50,572 represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$20,697 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and 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 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$38,991 during the 2003 fiscal year.

15. 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:

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

- (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	\$ (215,592)	\$ (54,316)	\$ 7,340	\$ (9,557,680)
Net adjustment for revenue accruals	55,334	34,761	5,143	-
Net adjustment for expenditure accruals	(35,624)	7,014	-	(63,994)
Net adjustment for other financing sources/(uses)	(10,634)	(125)	-	-
Adjustment for encumbrances	122,257	6,569	-	4,130,431
GAAP basis	\$ (84,259)	\$ (6,097)	\$ 12,483	\$ (5,491,243)

16. CONTINGENCIES

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, 2003.

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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 District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

17. 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, 2003, the reserve activity was as follows:

	Instructional Materials	Capital Maintenance	BWC Refunds
Balance June 30, 2002	\$ 18,060	\$ -	\$ 13,134
Required set-aside	85,742	85,742	-
Off-sets		(85,742)	-
Qualifying expenditures	<u>(111,821)</u>	<u>-</u>	<u>(13,134)</u>
Balance June 30, 2003	<u>\$ (8,019)</u>	<u>\$ -</u>	<u>\$ -</u>
Balance carried forward to FY 2004	<u>\$ (8,019)</u>	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying expenditures during the year that reduced the set-aside amount below zero for the instructional materials reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

Although the District had qualifying disbursements during the year that reduce the capital maintenance set-aside amount below zero, this extra amount may not be used to reduce the

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

set-aside requirement of future years, and is therefore not presented as being carried forward to the next fiscal year.

In addition, the District has received \$43,707 in monies from the State of Ohio which are restricted to be used for school bus purchases.

17. OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2003, the District had the following outstanding contractual commitments related to the Construction Project outlined in Note 10 A:

<u>Vendor</u>	<u>Amount</u>
Alvada Construction	\$ 558,655
Area Energy	386,860
Armor Fire Protection	86,331
C&T Design & Equipment	102,197
CTL Engineering	14,516
D.E. Williams	569,108
Frost & Company	57,752
Orwell Telephone	20,917
RTBM	323,378
Schnippel	1,550,461
Triad	163,937
Warner Mechanical	294,391
Total	<u>\$ 4,128,503</u>

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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
410 Rocket Ridge
Pandora, Ohio 45877-9607

To the Board of Education:

We have audited the financial statements of the Pandora-Gilboa Local School District, Putnam County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 28, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated December 28, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters

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coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 2003-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated December 28, 2004.

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

December 28, 2004

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

**SCHEDULE OF FINDINGS
JUNE 30, 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-001

Student Managed Activity Funds

Sales project potential forms were not completed for some of the District's student managed activity funds and for the completed forms there was no evidence a supervisory review was performed. For the Class of 2004 fund raisers conducted in fiscal year 2003, no records were maintained to support the revenues received from a fruit sale, sale of prom tickets and collection of class dues. In addition, revenues from the various fund raisers were co-mingled on the same receipt with no breakdown of how much was for each fund raiser.

This limits control and accountability over student activity revenues and increases the possibility of errors or irregularities occurring and not being detected during the normal course of operations. To improve controls over student activities, we recommend:

Each activity is required to complete the estimated portion of the sales project potential forms prior to the start of a fund raiser. This portion of the form should be approved by the appropriate supervisor to indicate approval to hold a fundraiser. At the end of the project the reconciliation portion of the form should be completed. The reconciliation portion of the form should include the number of items ordered, the number sold and price sold for, a reconciliation of the revenues due (items sold x cost per item) to the revenues received and deposited with the District Treasurer and a summary of the disposition of unsold items (i.e. returned, given away). The completed forms should be reviewed for completeness and accuracy by a member of the District's management. Each activity advisor/treasurer should maintain records to support the information included on the sales project potential form. In addition, District receipts should include both a total of all receipts and a detail of receipts by fund raiser.

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

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	ORC § 5705.41(B) Expenditures exceeding appropriations	Yes	



**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
JANUARY 13, 2005**