



**PANDORA GILBOA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Pandora Gilboa Local School District, Putnam County, as of June 30, 1999, 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 generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

February 15, 2000



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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 359,605	\$ 77,660	\$ 0	\$ 109,339
Cash and Cash Equivalents with Fiscal Agents		4,555		
Investment				
Receivables:				
Taxes	1,210,116		43,436	
Accounts	1,600	450		
Interfund Receivable	61,601			
Inventory Held for Resale				
Prepaid Items	32,512			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	43,357			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$ 1,708,791</b>	<b>\$ 82,665</b>	<b>\$ 43,436</b>	<b>\$ 109,339</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 26,156	\$ 224	\$ 0	\$ 0
Accrued Wages and Benefits	254,922	10,406		
Compensated Absences Payable	8,841			
Interfund Payable				41,601
Intergovernmental Payable	117,538	1,281		
Deferred Revenue	974,901		39,319	
Undistributed Monies				
Due to Students				
Energy Conservation Loan Payable				
<b>Total Liabilities</b>	<b>1,382,358</b>	<b>11,911</b>	<b>39,319</b>	<b>41,601</b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	5,389	23,645		11,370
Reserved for Trust				
Reserved for Property Taxes	88,401		4,117	
Reserved for Budget Stabilization	43,357			
Unreserved, Undesignated	189,286	47,109	0	56,368
<b>Total Fund Equity and Other Credits</b>	<b>326,433</b>	<b>70,754</b>	<b>4,117</b>	<b>67,738</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 1,708,791</b>	<b>\$ 82,665</b>	<b>\$ 43,436</b>	<b>\$ 109,339</b>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 10,672	\$ 26,786	\$ 0	\$ 0	\$ 584,062
	5,740			4,555
				5,740
				1,253,552
852				2,902
				61,601
3,389				3,389
2,229				34,741
				43,357
25,491		4,044,135		4,069,626
			4,117	4,117
			432,528	432,528
<b>\$ 42,633</b>	<b>\$ 32,526</b>	<b>\$ 4,044,135</b>	<b>\$ 436,645</b>	<b>\$ 6,500,170</b>

\$ 140	\$ 0	\$ 0	\$ 0	\$ 26,520
\$6,863				272,191
2,414			224,573	235,828
20,000				61,601
17,892			18,826	155,537
3,333				1,017,553
	128			128
	26,658			26,658
			193,246	193,246
50,642	26,786	0	436,645	1,989,262
		4,044,135		4,044,135
(8,009)				(8,009)
	5,740			40,404
				5,740
				92,518
				43,357
				292,763
(8,009)	5,740	4,044,135	0	4,510,908
<b>\$ 42,633</b>	<b>\$ 32,526</b>	<b>\$ 4,044,135</b>	<b>\$ 436,645</b>	<b>\$ 6,500,170</b>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues:</b>		
Taxes	\$ 1,418,786	\$ 0
Intergovernmental	2,286,278	293,963
Interest	39,673	
Tuition and Fees	5,320	
Extracurricular Activities		87,648
Miscellaneous	6,330	50,199
	3,756,387	431,810
<b>Total Revenues</b>		
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	1,645,820	222,116
Special	162,803	38,328
Vocational	178,516	
Adult/Continuing	1,154	
Other	194,508	
Support Services:		
Pupils	80,100	6,317
Instructional Staff	139,517	49,170
Board of Education	13,387	
Administration	437,841	23,135
Fiscal	118,334	10,786
Operation and Maintenance of Plant	285,566	
Pupil Transportation	221,961	
Central Services	3,181	
Non-Instructional Services		9,000
Extracurricular Activities	96,006	91,539
Capital Outlay		
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
	3,578,694	450,391
<b>Total Expenditures</b>		
Excess of Revenues Over/(Under) Expenditures	177,693	(18,581)
Fund Balances at Beginning of Year	148,740	89,335
<b>Fund Balances at End of Year</b>	<b>\$ 326,433</b>	<b>\$ 70,754</b>

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

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$ 43,508	\$ 0	\$ 1,462,294
	516,081	3,096,322
		39,673
		5,320
		87,648
		56,529
<u>43,508</u>	<u>516,081</u>	<u>4,747,786</u>
	52,232	1,920,168
		201,131
		178,516
		1,154
		194,508
		86,417
		188,687
		13,387
		460,976
		129,120
		285,566
		221,961
		3,181
		9,000
		187,545
	431,334	431,334
28,139		28,139
15,296		15,296
<u>43,435</u>	<u>483,566</u>	<u>4,556,086</u>
73	32,515	191,700
4,044	35,223	277,342
<u>\$ 4,117</u>	<u>\$ 67,738</u>	<u>\$ 469,042</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 1,386,629	\$ 1,396,202	\$ 9,573
Intergovernmental	2,309,838	2,286,278	(23,560)
Interest	37,000	39,673	2,673
Tuition and Fees	3,270	3,720	450
Extracurricular Activities			
Miscellaneous	7,696	7,869	173
Total Revenues	<u>3,744,433</u>	<u>3,733,742</u>	<u>(10,691)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,609,662	1,601,401	8,261
Special	166,382	161,589	4,793
Vocational	177,600	177,386	214
Adult/Continuing	1,194	1,155	39
Other	167,999	183,413	(15,414)
Support Services:			
Pupils	76,688	78,756	(2,068)
Instructional Staff	132,251	139,139	(6,888)
Board of Education	14,867	13,481	1,386
Administration	446,981	444,602	2,379
Fiscal	125,209	119,977	5,232
Operation and Maintenance of Plant	350,322	299,601	50,721
Pupil Transportation	214,958	216,322	(1,364)
Central Services	3,800	3,181	619
Non-Instructional Services	750	750	0
Extracurricular Activities	68,468	86,051	(17,583)
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>3,557,131</u>	<u>3,526,804</u>	<u>30,327</u>
Excess Revenues Over (Under) Expenditures	<u>187,302</u>	<u>206,938</u>	<u>19,636</u>
<b>Other Financing Sources (Uses):</b>			
Advances In			
Advances Out	(61,601)	(61,601)	0
Operating Transfers In	30,223	30,223	0
Operating Transfers Out	(45,223)	(30,223)	15,000
Total Other Financing Sources (Uses)	<u>(76,601)</u>	<u>(61,601)</u>	<u>15,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	110,701	145,337	34,636
Fund Balances at Beginning of Year	204,481	204,481	0
Prior Year Encumbrances Appropriated	21,598	21,598	0
<b>Fund Balances at End of Year</b>	<b><u>\$ 336,780</u></b>	<b><u>\$ 371,416</u></b>	<b><u>\$ 34,636</u></b>

**Governmental Fund Types**

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 43,435	\$ 43,435	\$ 0
282,997	286,377	3,380			
87,155	87,197	42			
48,584	50,199	1,615			
418,736	423,773	5,037	43,435	43,435	0
244,842	240,146	4,696			
41,955	30,750	11,205			
11,694	7,217	4,477			
34,339	43,198	(8,859)			
31,499	24,012	7,487			
10,643	10,337	306			
11,250	9,000	2,250			
98,554	95,110	3,444			
			28,139	28,139	0
			15,296	15,296	0
484,776	459,770	25,006	43,435	43,435	0
(66,040)	(35,997)	30,043	0	0	0
0	0	0	0	0	0
(66,040)	(35,997)	30,043	0	0	0
67,057	67,057	0			
22,737	22,737	0			
<b>\$ 23,754</b>	<b>\$ 53,797</b>	<b>\$ 30,043</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

	Governmental Fund Types		
	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	516,081	516,081	0
Interest			
Tuition and Fees			
Extracurricular Activities			
Miscellaneous			
Total Revenues	516,081	516,081	0
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	15,430	58,694	(43,264)
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff	110	0	110
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central Services			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	60,880	436,242	(375,362)
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	76,420	494,936	(418,516)
Excess Revenues Over (Under) Expenditures	439,661	21,145	(418,516)
<b>Other Financing Sources (Uses):</b>			
Advances In	41,601	41,601	0
Advances Out			
Operating Transfers In			
Operating Transfers Out			
Total Other Financing Sources (Uses)	41,601	41,601	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	481,262	62,746	(418,516)
Fund Balances at Beginning of Year	35,224	35,224	0
Prior Year Encumbrances Appropriated			
<b>Fund Balances at End of Year</b>	<b>\$ 516,486</b>	<b>\$ 97,970</b>	<b>\$ (418,516)</b>

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

<b>Totals (Memorandum Only)</b>		
<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 1,430,064	\$ 1,439,637	\$ 9,573
3,108,916	3,088,736	(20,180)
37,000	39,673	2,673
3,270	3,720	450
87,155	87,197	42
56,280	58,068	1,788
<u>4,722,685</u>	<u>4,717,031</u>	<u>(5,654)</u>
1,869,934	1,900,241	(30,307)
208,337	192,339	15,998
177,600	177,386	214
1,194	1,155	39
167,999	183,413	(15,414)
88,382	85,973	2,409
166,700	182,337	(15,637)
14,867	13,481	1,386
478,480	468,614	9,866
135,852	130,314	5,538
350,322	299,601	50,721
214,958	216,322	(1,364)
3,800	3,181	619
12,000	9,750	2,250
167,022	181,161	(14,139)
60,880	436,242	(375,362)
28,139	28,139	0
15,296	15,296	0
<u>4,161,762</u>	<u>4,524,945</u>	<u>(363,183)</u>
<u>560,923</u>	<u>192,086</u>	<u>(368,837)</u>
41,601	41,601	0
(61,601)	(61,601)	0
30,223	30,223	0
(45,223)	(30,223)	15,000
<u>(35,000)</u>	<u>(20,000)</u>	<u>15,000</u>
525,923	172,086	(353,837)
306,762	306,762	0
44,335	44,335	0
<u>\$ 877,020</u>	<u>\$ 523,183</u>	<u>\$ (353,837)</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND EQUITY - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$ 165,238	\$ 0	\$ 165,238
Interest		16	16
Miscellaneous	118	0	118
	<u>165,356</u>	<u>16</u>	<u>165,372</u>
Total Operating Revenues			
	<u>165,356</u>	<u>16</u>	<u>165,372</u>
<b>Operating Expenses:</b>			
Salaries and Wages	55,791		55,791
Fringe Benefits	62,720		62,720
Purchased Services	3,841		3,841
Cost of Sales	119,889		119,889
Depreciation	1,669		1,669
Other Operating Expenses	259	533	792
	<u>244,169</u>	<u>533</u>	<u>244,702</u>
Total Operating Expenses			
	<u>244,169</u>	<u>533</u>	<u>244,702</u>
Operating Loss	<u>(78,813)</u>	<u>(517)</u>	<u>(79,330)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	21,438		21,438
Operating Grants	22,057		22,057
	<u>43,495</u>	<u>0</u>	<u>43,495</u>
Total Non-operating Revenues			
	<u>43,495</u>	<u>0</u>	<u>43,495</u>
Net Loss	(35,318)	(517)	(35,835)
Retained Earnings/Fund Balance at Beginning of Year	27,309	6,257	33,566
Retained Earnings/Fund Balance at End of Year	(8,009)	5,740	(2,269)
<b>Total Fund Equity at End of Year</b>	<b><u>\$ (8,009)</u></b>	<b><u>\$ 5,740</u></b>	<b><u>\$ (2,269)</u></b>

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

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
<b>Cash Flows From Operating Activities:</b>			
Cash Received From Customers	\$ 164,735	\$ 0	\$ 164,735
Cash Payments For Personal Services	(106,316)		(106,316)
Cash Payments To Suppliers For Goods and Services	(102,152)		(102,152)
Cash Payments For Other Expenses	(259)	(533)	(792)
Interest		416	416
Net Cash Provided (Used) By Operating Activities	<u>(43,992)</u>	<u>(117)</u>	<u>(44,109)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Cash Received From Operating Grants	24,695		24,695
Advances In From Other Funds	20,000		20,000
Net Cash Provided by Noncapital Financing Activities	<u>44,695</u>	<u>0</u>	<u>44,695</u>
<b>Cash Flows From Investing Activities:</b>			
Proceeds From Sale of Investments		533	533
Purchase of Investments		(416)	(416)
Net Cash Provided by Investing Activities	<u>0</u>	<u>117</u>	<u>117</u>
Net Increase In Cash and Cash Equivalents	703	0	703
Cash and Cash Equivalents At Beginning of Year	9,969		9,969
<b>Cash and Cash Equivalents At End of Year</b>	<b><u>\$ 10,672</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 10,672</u></b>

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (78,813)	\$ (517)	\$ (79,330)
<b>Adjustments To Reconcile Operating Loss To Net Cash Used by Operating Activities:</b>			
Federal Donated Commodities	21,438		21,438
Depreciation	1,669		1,669
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(621)	400	(221)
Decrease in Prepays	555		555
Increase in Accounts Payable	140		140
Decrease in Accrued Wages and Benefits	(2,705)		(2,705)
Increase in Compensated Absences Payable	2,414		2,414
Increase in Intergovernmental Payable	11,931		11,931
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (43,992)</u></b>	<b><u>\$ (117)</u></b>	<b><u>\$ (44,109)</u></b>

Equity in Pooled Cash and Cash Equivalents Trust and Agency Funds	\$ 26,786
Less Equity in Pooled Cash and Cash Equivalents Agency Funds	<u>(26,786)</u>
Equity in Pooled Cash and Cash Equivalents Nonexpendable Trust Funds	<u>\$ 0</u>

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 1 - REPORTING ENTITY**

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

The School District was established in 1951. The School District serves an area of approximately 66 square miles. It is located in Putnam County and includes all of the Villages of Pandora and Gilboa, and portions of Riley, Blanchard, Richland, Pleasant, and Van Buren Townships. The School District is staffed by 30 classified employees, 43 certified teaching personnel, and 5 administrative employees who provide services to 698 students and other community members. The School District currently operates two instructional buildings.

**Reporting Entity**

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

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

The School District is associated with four organizations which are defined as jointly governed organizations and insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Blanchard Valley Cooperative Vocational Career Center, Putnam County School Insurance Group, and the NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 18 and 19 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**A. Basis of Presentation - Fund Accounting**

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

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

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

**1. Governmental Fund Types**

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

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

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

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

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

**2. Proprietary Fund Type**

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

*Enterprise Fund* - The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. The School District did not have any expendable trust funds in fiscal year 1999. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

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

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

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

“available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, interest, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

**C. Budgetary Process**

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

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

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

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

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

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 1999.

**3. Appropriations**

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

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. For fiscal year 1999, the Board passed temporary appropriations on June 15, 1998. No other appropriation measures were adopted until the final appropriations on June 21, 1999.

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

**4. Encumbrances**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the proprietary funds.

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Investments**

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

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

During fiscal year 1999, investments were limited to STAR Ohio and Saxton Mortgaged Securities. The Saxton Mortgaged Securities were received by the School District as part of a nonexpendable trust.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999. Saxton Mortgaged Securities are reported at fair market value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$39,673, which includes \$15,234 assigned from other School District funds.

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

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**F. Inventory**

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

**G. Restricted Assets**

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

**H. Fixed Assets and Depreciation**

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

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

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

**I. Compensated Absences**

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

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

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

**K. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, budget stabilization, trust and encumbrances.

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

**M. Intergovernmental Revenues**

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

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

*Entitlements*

*General Fund*

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

*Non-Reimbursable Grants*

*Special Revenue Funds*

Professional Development Block Grant  
Child Care  
Education Management Information Systems  
School Net Professional Development  
Migrant  
Title VI-B  
Title I  
Innovative Education Program Strategies  
Goals 2000  
Raising the Bar  
Textbook/Instructional Materials  
Eisenhower  
Drug Free  
Title VI-B Preschool

*Capital Projects Funds*

School Net Plus  
Tech Equity  
Distance Learning Grant  
Emergency Building Repair Grant

*Reimbursable Grants*

*General Fund*

Driver Education

*Enterprise Fund*

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 65 percent of the revenues of the School District's governmental fund types during the 1999 fiscal year.

**N. Interfund Transactions**

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

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

**O. Use of Estimates**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**P. Total Columns on General-Purpose Financial Statements**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

- A.** The Emergency Building Repair Grant capital projects fund and the Food Service enterprise fund had deficit fund balances of \$34,624 and \$17,582 at June 30, 1999. The deficit in the capital project fund was the result of reimbursement not received from the State until after June 30, 1999. The deficit in the enterprise fund was the result of operating losses in the cafeteria.
- B.** Some of the School District's transactions were not certified as required by Section 5705.41 (D), Ohio Revised Code.
- C.** The School District did not approve its annual appropriations measure until June 21, 1999 and final appropriations were not approved until July 1999. As a result all accounts had expenditures in excess of appropriations prior to June 21, 1999, and the following funds were found to have expenditures in excess of appropriations, by the amounts indicated, as of June 30, 1999:

Fund	Excess of Expenditures over Appropriations as of June 30, 1999
General	\$ 69,345
Professional Development	3,637
Management Information Systems	151
Textbook Subsidy	21,849
Gender Equity	46
Title I	767
Raising the Bar Grant	8,557
Distance Learning Grant	6,270
Emergency Building Repair Grant	434,362
Uniform School Supplies	900
Gilboa Playground	449

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 177,693	\$ (18,581)	\$ 73	\$ 32,515
Revenue Accruals	7,578	(8,037)	(73)	41,601
Expenditure Accruals	(8,388)	14,491	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(31,546)	(23,870)	0	(11,370)
Budget Basis	<u>\$ 145,337</u>	<u>\$ (35,997)</u>	<u>\$ 0</u>	<u>\$ 62,746</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$4,555 in cash and cash equivalents held by the Putnam County Educational Service Center which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts and therefore the School District cannot classify this money by risk under GASB Statement No. 3.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

At fiscal year end, the carrying amount of the School District's deposits was \$58,980 and the bank balance was \$154,519. Of the bank balance, \$120,120 was covered by federal depository insurance and \$34,399 was secured by a letter of credit from the Federal Home Loan Bank of Cincinnati.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School 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 School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying Amount	Fair Value
Saxton Mortgage Securities	\$ 5,740	\$ 5,740	\$ 5,740
STAR Ohio		568,439	568,439
Totals		\$ 574,179	\$ 574,179

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 631,974	\$ 5,740
Cash and Cash Equivalents with Educational Service Center	(4,555)	
Investments:		
STAR Ohio	(568,439)	568,439
GASB Statement No. 3	\$ 58,980	\$ 574,179

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Putnam and Allen Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$88,401 in the General Fund and \$4,117 in the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 1998, was \$78,813 in the General Fund and \$4,044 in the Bond Retirement Debt Service Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second - Half Collections		1999 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 31,640,670	79.51%	\$ 32,478,150	80.24%
Industrial/Commercial	2,388,260	6.01	2,556,080	6.31
Public Utility	2,583,990	6.49	2,607,520	6.44
Tangible Personal	3,181,274	7.99	2,835,467	7.01
Total Assessed Value	<u>\$ 39,794,194</u>	<u>100.00%</u>	<u>\$ 40,477,217</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.85		\$36.85	

**NOTE 7 - INCOME TAXES**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1994 and continues for five years. The income tax was renewed for another five years effective January 1, 1999. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (rent, billings for user charged services, and students fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$2,902.

**NOTE 9 - INTERFUND ASSETS/LIABILITIES**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 61,601	\$ 0
Capital Projects		
Emergency Building Repair Grant		41,601
Enterprise		
Food Service		20,000
<b>Total</b>	<b>\$ 61,601</b>	<b>\$ 61,601</b>

**NOTE 10 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$ 58,189
Less Accumulated Depreciation	(32,698)
Net Fixed Assets	\$ 25,491

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Land	\$ 78,410	\$ 0	\$ 0	\$ 78,410
Buildings and Improvements	1,489,010	470,209	0	1,959,219
Furniture, Fixtures and Equipment	1,447,532	188,076	80,363	1,555,245
Vehicles	451,261			451,261
Total General Fixed Assets	\$ 3,466,213	\$ 658,285	\$ 80,363	\$ 4,044,135

**NOTE 11 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted for the following insurance coverages:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

Coverages provided by Indiana Insurance are as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$ 11,920,584
Inland Marine (\$100 deductible)	133,240
Electronic Data Processing (\$100 deductible all but mechanical and \$1,000 deductible mechanical breakdown)	546,616
Automobile Liability	1,000,000
General Liability	
Per Occurrence	1,000,000
Total Per Year	1,000,000

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

The School District joined together with school districts and other entities to form the Putnam County Schools Insurance Group (PCSIG), a public entity risk pool currently operating as a common risk management and insurance program for 11 member entities. The School District pays its monthly premiums to the PCSIG and their designated insurance company. The PCSIG is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the PCSIG may assess additional charges to all participants. The PCSIG provides employee health benefits to all participants under a contingent premium policy. Under the policy, the provider pays claims up to 90 percent of the fully insured rate and the PCSIG reimburses the provider for claims up to 105 percent of the fully insured rate. Any claims in excess of the 107 percent are covered under a stop loss policy.

For fiscal year 1999, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$106,368, \$232,549, and \$224,789, respectively; 64.58 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$37,680 is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$36,603, \$67,053, and \$58,260, respectively; 2.33 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$35,750, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$141,825 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000, and STRS had 91,999 eligible benefit recipients.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$42,348 for fiscal year 1999.

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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575, and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 14 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Health Care Benefits**

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

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
1995 Energy Conservation Notes 7%	\$ 221,385	\$ 0	\$ 28,139	\$ 193,246
Compensated Absences Payable	226,510	224,573	226,510	224,573
Intergovernmental Payable	24,556	18,826	24,556	18,826
Total General Long-Term Obligations	<u>\$ 472,451</u>	<u>\$ 243,399</u>	<u>\$ 279,205</u>	<u>\$ 436,645</u>

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

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

The School District's overall debt margin was \$3,642,950 with an unvoted debt margin of \$40,477 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, were as follows:

Fiscal Year Ending June 30,	Energy Conservation Loan
2000	\$ 43,435
2001	43,435
2002	43,435
2003	43,435
2004-2005	65,153
	<u>\$ 238,893</u>

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

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and playground. The table below reflects the more significant financial data relating to the enterprise funds of Pandora Gilboa Local School District as of and for the fiscal year ended June 30, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Playground</u>	<u>Total</u>
Operating Revenues	\$ 130,403	\$ 34,835	\$ 118	\$ 165,356
Operating Expenses Before Depreciation	207,944	34,556		242,500
Depreciation Expense	1,669			1,669
Operating Income (Loss)	(79,210)	279	118	(78,813)
Non-Operating Revenues:				
Federal Donated Commodities	21,438			21,438
Operating Grants	22,057			22,057
Net Income (Loss)	(35,715)	279	118	(35,318)
Net Working Capital	(40,659)	8,538	1,035	(31,086)
Total Assets	33,060	8,538	1,035	42,633
Long-Term Liabilities	2,414			2,414
Total Equity	(17,582)	8,538	1,035	(8,009)
Encumbrances Outstanding (Budget Basis) at June 30, 1999	0	779	467	1,246

**NOTE 17 - RESERVATIONS OF FUND BALANCE**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. The amount for fiscal year 1999 was 2% of previous year qualifying general fund revenue. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The School District is also required to set aside money for budget stabilization, which for fiscal year 1999 was 1% of previous year qualifying general fund revenue, if the growth in a school district's qualifying general fund revenue from fiscal year 1997 to fiscal year 1998 is 3% or more. The School District had a growth in qualifying revenue of 5.54% in fiscal year 1999.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Acquisition</u>	<u>Stabilization</u>	<u>Totals</u>
Set-Aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 12,943	\$ 12,943
Current Year Set-aside Requirement	60,415	60,415	30,414	151,244
Current Year Offsets	(10,955)	0	0	(10,955)
Qualifying Disbursements	(49,460)	(60,415)	0	(109,875)
Set-aside Cash Balance as of June 30, 1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 43,357</u>	<u>\$ 43,357</u>
Total Restricted Assets				<u>\$ 43,357</u>

Qualifying expenditures for textbook activity during fiscal year 1999 were \$49,647 and for capital reserve were \$63,215. These amounts were in excess of the required set-aside.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative (NOACSC)**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

**B. Blanchard Valley Cooperative Vocational Career Center**

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

**NOTE 19 - INSURANCE POOLS**

**A. Putnam County Schools Insurance Group**

The Putnam County Schools Insurance Group is a shared risk pool among nine local school districts, the Putnam County Board of MR/DD, and the Putnam County Educational Service Center. The insurance group is governed by an advisory committee consisting of each member's superintendent or designee and a teacher from each participating school district. Financial information can be obtained from Kathleen Schmitz, who serves as treasurer, at P. O. Box 190, Ottawa, Ohio 45875.

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

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

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

**NOTE 20 - SCHOOL FOUNDATION PROGRAM**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,126,829 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common of Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Court of Common Pleas declared unconstitutional.

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

**NOTE 21 - YEAR 2000 ISSUE**

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the School District's operations.

The School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary for conducting School District operations. The School District identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting.

The School District uses the State of Ohio Uniform School Accounting System software for financial reporting, and the State of Ohio Uniform Staff Payroll System software for payroll and employee benefits. The State is responsible for remediating these systems and for any costs associated with this project.

The State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). Further, the State of Ohio distributes resources to the School District in the form of "foundation payments" and federal and state grant payments. The State is responsible for remediating these systems and is solely responsible for any costs associated with the EMIS system and processing foundation payments.

Putnam County collects property taxes for distribution to the School District. Putnam County is responsible for remediating the tax collection system and is solely responsible for any costs associated with the tax collection system.

To the best of management's knowledge and belief, as of February 15, 2000, the government experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 22 - CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

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

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

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

To the Board of Education:

We have audited the financial statements of the Pandora Gilboa Local School District, Putnam County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 1999-10269-001 and 1999-10269-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 15, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 15, 2000.

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

**Jim Petro**  
Auditor of State

February 15, 2000

**SCHEDULE OF FINDINGS  
JUNE 30, 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 1999-10269-001**

**Noncompliance Citation**

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

The School District did not approve its annual appropriations measure until June 21, 1999 and final appropriations were not approved until July 1999. As a result all accounts had expenditures in excess of appropriations prior to June 21, 1999, and the following funds were found to have expenditures in excess of appropriations, by the amounts indicated, as of June 30, 1999:

Fund	Excess of Expenditures over Appropriations as of June 30, 1999
General	\$ 69,345
Professional Development	3,637
Management Information Systems	151
Textbook Subsidy	21,849
Gender Equity	46
Title I	767
Raising the Bar Grant	8,557
Distance Learning Grant	6,270
Emergency Building Repair Grant	434,362
Uniform School Supplies	900
Gilboa Playground	449

It is recommended that the annual appropriations measure be approved by October 1 each year, with any amendments approved prior to year end. In addition, the District should monitor appropriations to ensure they are sufficient to support planned expenditures and make any modifications necessary to ensure expenditures do not exceed appropriations.

**FINDING NUMBER 1999-10269-002**

**Noncompliance Citation**

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

This section also provides two exceptions to the above requirements:

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

Thirty percent of the transactions tested had not been properly certified.

This is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board.

To improve controls over disbursements, it is recommended that all District disbursements receive prior certification of the Treasurer and that the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Treasurer and recorded against appropriations.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**PANDORA GILBOA LOCAL SCHOOL DISTRICT**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 9, 2000**