



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pandora-Gilboa Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pandora-Gilboa Local School District, Putnam County, Ohio, as of June 30, 2006, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 12, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of Pandora-Gilboa Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$58,602 which represents a 3.63% increase from 2005.
- Governmental general receipts accounted for \$5,045,221 in receipts or 85.20% of all receipts. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$876,575 or 14.80% of total receipts of \$5,921,796
- The District had \$5,863,194 in disbursements related to governmental activities; only \$876,575 of these disbursements was offset by program specific charges for services, grants or contributions. General receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,045,221 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and building fund. The general fund had \$4,961,832 in receipts and other financing sources and \$4,977,690 in disbursements and other financing uses. During fiscal 2006, the general fund balance, decreased \$15,858 from \$817,268 to \$801,410.
- The building fund had \$31,170 in receipts and \$46,248 in disbursements. During fiscal 2006, the building fund balance decreased \$15,078 from \$465,803 to \$450,725

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets – Modified Cash Basis and Statement of Activities – Modified Cash Basis provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide the next level of detail. For governmental funds these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

Basis of Accounting

The District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds. The District establishes separate funds to better manage its many activities and to help demonstrate that money is restricted and how it may be used.

The funds of the District are split into two categories: governmental and fiduciary. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and building fund.

Governmental Funds - Most of the District activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance educational programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the general fund and building fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the District's programs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

The District as a Whole

The following table provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005 on another comprehensive basis of accounting.

| | Net Assets | |
|---------------------------|------------------------------------|------------------------------------|
| | Governmental Activities 2006 | Governmental Activities 2005 |
| | <u>2006</u> | <u>2005</u> |
| Assets: | | |
| Cash and Cash Equivalents | \$1,672,035 | \$1,613,433 |
| Net Assets: | | |
| Restricted for: | | |
| Capital Projects | 462,986 | 485,469 |
| Debt Service | 152,177 | 147,066 |
| Set Asides | 20,151 | 1,955 |
| Other Purposes | 255,462 | 163,630 |
| Unrestricted | <u>781,259</u> | <u>815,313</u> |
| Total Net Assets | <u>\$1,672,035</u> | <u>\$1,613,433</u> |

As mentioned previously, net assets of governmental activities increased \$58,602 or 3.63 percent during fiscal year 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Healthcare premiums increase only 5%, significantly less than in previous years.
- Although utility rates rose significantly in FY06, consumption was lower. This kept utility costs relatively unchanged.
- Open enrollment increased \$100,188 from fiscal year 2005. No specific cause for this increase has been identified.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

The following table reflects the changes in net assets on a modified cash basis from the prior year:

| | Change in Net Assets | |
|---|------------------------------------|------------------------------------|
| | Governmental Activities 2006 | Governmental Activities 2005 |
| Receipts: | | |
| Program Receipts | | |
| Charges for Services | \$527,421 | \$388,857 |
| Operating Grants | 292,813 | 360,664 |
| Capital Grants | 56,341 | 6,165 |
| General Receipts | | |
| Property Taxes | 1,582,076 | 1,523,573 |
| Income Taxes | 447,081 | 470,181 |
| Grants and Entitlements | 2,885,596 | 2,816,498 |
| Interest | 80,997 | 39,290 |
| Miscellaneous | 49,471 | 42,751 |
| Transfers | | 132 |
| Total Receipts | 5,921,796 | 5,648,111 |
| Disbursements: | | |
| Instruction: | | |
| Regular | 2,464,215 | 2,503,597 |
| Special | 460,424 | 416,551 |
| Vocational | 73,205 | 70,657 |
| Support Services: | | |
| Pupil | 74,267 | 75,482 |
| Instructional Staff | 212,042 | 260,576 |
| Board of Education | 29,264 | 14,701 |
| Administration | 542,389 | 503,476 |
| Fiscal | 166,741 | 183,519 |
| Operation and Maintenance of Plant | 608,747 | 470,129 |
| Pupil Transportation | 350,175 | 299,406 |
| Central | 8,602 | 5,952 |
| Operation of Non-Instructional Services | 5,880 | 6,380 |
| Operation of Food Services | 231,566 | 217,311 |
| Extracurricular Activities | 255,829 | 225,027 |
| Capital Outlay | 46,278 | 501,080 |
| Debt Service: | | |
| Principal | 149,000 | 253,892 |
| Interest | 184,570 | 194,234 |
| Total Disbursements | 5,863,194 | 6,201,970 |
| Change in net assets | 58,602 | (553,859) |
| Net assets at beginning of year | 1,613,433 | 2,167,292 |
| Net assets at end of year | \$1,672,035 | \$1,613,433 |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

Net assets of the District's governmental activities increased \$58,602. Total governmental disbursements of \$5,863,194 were offset by program receipts of \$876,575. General receipts in total of \$5,045,221 were sufficient to support the remaining governmental disbursements. Program receipts supported 14.95% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 82.99% of total governmental receipts. Real estate property is reappraised every six years.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

| | Governmental Activities | | | |
|--|--------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Total Cost of Services 2006 | Net Cost of Services 2006 | Total Cost of Services 2005 | Net Cost of Services 2005 |
| Disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$2,464,215 | \$2,136,910 | \$2,503,597 | \$2,268,266 |
| Special | 460,424 | 366,262 | 416,551 | 300,247 |
| Vocational | 73,205 | 60,054 | 70,657 | 59,297 |
| Support Services: | | | | |
| Pupil | 74,267 | 68,280 | 75,482 | 72,938 |
| Instructional Staff | 212,042 | 197,293 | 260,576 | 204,442 |
| Board of Education | 29,264 | 29,264 | 14,701 | 14,701 |
| Administration | 542,389 | 537,389 | 503,476 | 496,476 |
| Fiscal | 166,741 | 166,741 | 183,519 | 183,519 |
| Operation and Maintenance of Plant | 608,747 | 606,503 | 470,129 | 470,129 |
| Pupil Transportation | 350,175 | 285,856 | 299,406 | 292,431 |
| Central | 8,602 | 8,602 | 5,952 | 5,952 |
| Operation of Non-Instructional Services | 5,880 | 4,380 | 6,380 | 3,972 |
| Operation of Food Services | 231,566 | (8,845) | 217,311 | (10,309) |
| Extracurricular Activities | 255,829 | 148,082 | 225,027 | 135,017 |
| Capital Outlay | 46,278 | 46,278 | 501,080 | 501,080 |
| Debt Service: | | | | |
| Principal | 149,000 | 149,000 | 253,892 | 253,892 |
| Interest | 184,570 | 184,570 | 194,234 | 194,234 |
| Total Disbursements | \$5,863,194 | \$4,986,619 | \$6,201,970 | \$5,446,284 |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

The dependence upon tax and other general receipts for governmental activities is apparent, 85.50% of instruction activities are supported through taxes and other general receipts. For all governmental activities, general receipts support is 85.05%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The District's Funds

The District's governmental funds reported a combined fund balance of \$1,672,035, which was higher than last year's total of \$1,613,433. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

| | Fund Balance June 30, 2006 | Fund Balance June 30, 2005 | Increase (Decrease) |
|--------------------|-------------------------------|-------------------------------|------------------------|
| General | \$801,410 | \$817,268 | \$(15,858) |
| Building | 450,725 | 465,803 | (15,078) |
| Other Governmental | 419,900 | 330,362 | 89,538 |
| Total | <u>\$1,672,035</u> | <u>\$1,613,433</u> | <u>\$58,602</u> |

General Fund

The District's general fund's balance decreased by \$15,858. When comparing receipts and disbursements for 2006 to 2005, receipts increased and disbursements increased.

Building Fund

The District's building fund balance decreased by \$15,078. The decrease in fund balance can be attributed to costs associated with the Ohio School Facilities Commission building project exceeding the interest earned, on the remaining monies for the project, during fiscal year 2006.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the District amended its General Fund budget several times. For the General Fund, final budgeted receipts and other financing sources were \$4,905,233, which is higher than the original budgeted receipts estimate of \$4,567,869. Actual receipts and other financing sources for 2006 was \$4,961,832. This represents a \$56,599 increase from final budgeted receipts.

General fund final budgeted appropriations (appropriated disbursements plus other financing uses) totaled \$5,166,765, which is higher than the original budgeted appropriations of \$4,981,471. The actual budget basis disbursements and other financing uses for 2006 totaled \$5,077,300, which was \$89,465 less than the final budgeted appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

Capital Assets and Debt Administration

Capital Assets

The District's capital assets are not reflected in the other comprehensive basis of accounting statements, however the District does track capital assets through the State provided software program.

Debt Administration

At June 30, 2006, the District had \$3,455,000 in general obligation bonds. Of this total \$150,000 is due within one year and \$3,416,000 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

| | <u>Governmental Activities 2006</u> | <u>Governmental Activities 2005</u> |
|----------------------------|---|---|
| General Obligation Bonds | \$3,450,000 | \$3,595,000 |
| Capital Appreciation Bonds | 116,000 | 116,000 |
| Total | <u>\$3,566,000</u> | <u>\$3,711,000</u> |

The District has also entered into a lease-purchase agreement, through the OASBO Expanded Asset Pooled Financing Program, to supplement the local cost of an amendment to the school construction with the Ohio School Facilities Commission. At June 30, 2006 the District had \$263,000 outstanding. Of this total \$5,000 is due within one year and \$258,000 due within greater than one year.

See Notes 11 and 12 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The challenge for all school districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases, shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes, and has very little industry to support the tax base. Staffing reductions, through attrition, have occurred over past years in anticipation of projected deficits in subsequent years. In May 2006 the community approved an additional one percent income tax to become effective January 1, 2007 and expiring on December 31, 2011.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Kathy Fruchey, Treasurer, Pandora-Gilboa Local School District, 410 Rocket Ridge, Pandora, Ohio 45877-9607.

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

**Statement of Net Assets - Modified Cash Basis
For the Fiscal Year Ended June 30, 2006**

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity In Pooled Cash and Cash Equivalents | <u>\$1,672,035</u> |
| | |
| Net Assets | |
| Restricted for: | |
| Capital Projects | 462,986 |
| Debt Service | 152,177 |
| Set Asides | 20,151 |
| Other Purposes | 255,462 |
| Unrestricted | <u>781,259</u> |
| | |
| <i>Total Net Assets</i> | <u>\$1,672,035</u> |

See accompanying notes to the basic financial statements

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

**Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2006**

| | | Program Cash Receipts | | | Net Receipts (Disbursements) and Changes in Net Assets |
|---|-------------------------------------|---|---|---|---|
| | <u>Cash</u> <u>Disbursements</u> | <u>Charges</u> <u>for Services</u> <u>and Sales</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | <u>Capital Grants</u> <u>and Contributions</u> | <u>Governmental</u> <u>Activities</u> |
| Governmental Activities | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | \$2,464,215 | \$225,362 | \$101,943 | | (\$2,136,910) |
| Special | 460,424 | | 94,162 | | (366,262) |
| Vocational | 73,205 | | 13,151 | | (60,054) |
| Support Services: | | | | | |
| Pupil | 74,267 | | 5,987 | | (68,280) |
| Instructional Staff | 212,042 | | 14,749 | | (197,293) |
| Board of Education | 29,264 | | | | (29,264) |
| Administration | 542,389 | | 5,000 | | (537,389) |
| Fiscal | 166,741 | | | | (166,741) |
| Operation and Maintenance of Plant | 608,747 | | 2,244 | | (606,503) |
| Pupil Transportation | 350,175 | 7,978 | | \$56,341 | (285,856) |
| Central | 8,602 | | | | (8,602) |
| Operation of Non-Instructional Services | 5,880 | | 1,500 | | (4,380) |
| Operation of Food Services | 231,566 | 186,334 | 54,077 | | 8,845 |
| Extracurricular Activities | 255,829 | 107,747 | | | (148,082) |
| Capital Outlay | 46,278 | | | | (46,278) |
| Debt Service: | | | | | |
| Principal | 149,000 | | | | (149,000) |
| Interest | 184,570 | | | | (184,570) |
| Total Governmental Activities | \$5,863,194 | \$527,421 | \$292,813 | \$56,341 | (\$4,986,619) |
| General Receipts | | | | | |
| Taxes Levied for: | | | | | |
| General Purposes | | | | | 1,246,464 |
| Classroom Facilities Maintenance | | | | | 25,080 |
| Debt Service | | | | | 310,532 |
| Income Taxes Levied for: | | | | | |
| General Purposes | | | | | 447,081 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 2,885,596 |
| Interest | | | | | 80,997 |
| Miscellaneous | | | | | 49,471 |
| | | | | | \$5,045,221 |
| <i>Total General Receipts</i> | | | | | |
| | | | | | \$58,602 |
| Change in Net Assets | | | | | |
| | | | | | \$1,613,433 |
| <i>Net Assets Beginning of Year</i> | | | | | |
| | | | | | \$1,672,035 |
| <i>Net Assets End of Year</i> | | | | | |

See accompanying notes to the basic financial statements

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

**Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2006**

| | General | Building | Other Governmental Funds | Total Governmental Funds |
|--|------------------|------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$777,418 | \$450,725 | \$419,900 | \$1,648,043 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 23,992 | | | 23,992 |
| Total Assets | <u>\$801,410</u> | <u>\$450,725</u> | <u>\$419,900</u> | <u>\$1,672,035</u> |
| Fund Balances | | | | |
| Reserved for Encumbrances | 99,610 | 278 | 15,976 | 115,864 |
| Reserved for Textbooks/instructional Materials | 20,151 | | | 20,151 |
| Reserved for School Bus Purchase | 3,841 | | | 3,841 |
| Unreserved: | | | | |
| Designated for Termination Benefits | | | 40,000 | 40,000 |
| Undesignated, Reported in: | | | | |
| General Fund | 677,808 | | | 677,808 |
| Special Revenue Funds | | | 199,486 | 199,486 |
| Debt Service Fund | | | 152,177 | 152,177 |
| Capital Projects Funds | | 450,447 | 12,261 | 462,708 |
| Total Fund Balances | <u>\$801,410</u> | <u>\$450,725</u> | <u>\$419,900</u> | <u>\$1,672,035</u> |

See accompanying notes to the basic financial statements

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

**Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2006**

| | General | Building | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Income Tax | \$447,081 | | | \$447,081 |
| Property Taxes | 1,246,464 | | \$ 335,612 | 1,582,076 |
| Intergovernmental | 2,914,902 | | 319,848 | 3,234,750 |
| Interest | 49,712 | \$ 31,170 | 115 | 80,997 |
| Tuition and Fees | 225,362 | | | 225,362 |
| Extracurricular Activities | 16,150 | | 91,597 | 107,747 |
| Charges for Services | 7,978 | | 186,334 | 194,312 |
| Miscellaneous | 18,152 | | 31,319 | 49,471 |
| <i>Total Receipts</i> | <u>\$4,925,801</u> | <u>\$31,170</u> | <u>\$964,825</u> | <u>\$5,921,796</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,359,747 | | 104,468 | 2,464,215 |
| Special | 373,035 | | 87,389 | 460,424 |
| Vocational | 73,205 | | | 73,205 |
| Support Services: | | | | |
| Pupil | 71,176 | | 3,091 | 74,267 |
| Instructional Staff | 196,077 | | 15,965 | 212,042 |
| Board of Education | 29,264 | | | 29,264 |
| Administration | 522,327 | | 20,062 | 542,389 |
| Fiscal | 158,148 | | 8,593 | 166,741 |
| Operation and Maintenance of Plant | 576,960 | | 31,787 | 608,747 |
| Pupil Transportation | 350,175 | | | 350,175 |
| Central | 8,602 | | | 8,602 |
| Operation of Non-Instructional Services | 5,380 | | 500 | 5,880 |
| Operation of Food Services | | | 231,566 | 231,566 |
| Extracurricular Activities | 164,505 | | 91,324 | 255,829 |
| Capital Outlay | 30 | 46,248 | | 46,278 |
| Principal Retirement | | | 149,000 | 149,000 |
| Interest and Fiscal Charges | | | 184,570 | 184,570 |
| <i>Total Disbursements</i> | <u>4,888,631</u> | <u>46,248</u> | <u>928,315</u> | <u>5,863,194</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>37,170</u> | <u>(15,078)</u> | <u>36,510</u> | <u>58,602</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | | | 40,000 | 40,000 |
| Advances In | 36,031 | | 49,059 | 85,090 |
| Transfers Out | (40,000) | | | (40,000) |
| Advances Out | (49,059) | | (36,031) | (85,090) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(53,028)</u> | | <u>53,028</u> | |
| <i>Net Change in Fund Balances</i> | (15,858) | (15,078) | 89,538 | 58,602 |
| <i>Fund Balances Beginning of Year</i> | 817,268 | 465,803 | 330,362 | 1,613,433 |
| <i>Fund Balances End of Year</i> | <u>\$801,410</u> | <u>\$450,725</u> | <u>\$419,900</u> | <u>\$1,672,035</u> |

See accompanying notes to the basic financial statements

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

**Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2006**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Income Taxes | \$415,000 | \$447,000 | \$447,081 | \$81 |
| Property Taxes | 1,194,000 | 1,240,203 | 1,246,464 | 6,261 |
| Intergovernmental | 2,818,549 | 2,895,985 | 2,914,902 | 18,917 |
| Interest | 25,000 | 48,500 | 49,712 | 1,212 |
| Tuition and Fees | 99,820 | 232,566 | 225,362 | (7,204) |
| Extracurricular Activities | 15,000 | 16,200 | 16,150 | (50) |
| Charges for Services | | 8,000 | 7,978 | (22) |
| Miscellaneous | 500 | 16,779 | 18,152 | 1,373 |
| <i>Total Revenues</i> | <u>4,567,869</u> | <u>4,905,233</u> | <u>4,925,801</u> | <u>20,568</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,172,692 | 2,404,274 | 2,379,230 | 25,044 |
| Special | 791,965 | 390,176 | 415,499 | (25,323) |
| Vocational | 104,195 | 78,355 | 73,205 | 5,150 |
| Support Services: | | | | |
| Pupil | 15,752 | 72,293 | 72,132 | 161 |
| Instructional Staff | 128,549 | 197,889 | 197,812 | 77 |
| Board of Education | 15,125 | 32,252 | 32,239 | 13 |
| Administration | 157,776 | 582,482 | 525,118 | 57,364 |
| Fiscal | 50,111 | 159,979 | 158,746 | 1,233 |
| Operation and Maintenance of Plant | 315,191 | 633,079 | 603,551 | 29,528 |
| Pupil Transportation | 148,285 | 359,328 | 352,192 | 7,136 |
| Central | 8,023 | 8,393 | 8,602 | (209) |
| Operation of Non-Instructional Services | 550 | 5,662 | 5,380 | 282 |
| Extracurricular Activities | 72,725 | 166,571 | 164,505 | 2,066 |
| Capital Outlay | 532 | 532 | 30 | 502 |
| <i>Total Expenditures</i> | <u>4,981,471</u> | <u>5,091,265</u> | <u>4,988,241</u> | <u>103,024</u> |
| <i>Excess of Expenditures Over Receipts</i> | <u>(413,602)</u> | <u>(186,032)</u> | <u>(62,440)</u> | <u>123,592</u> |
| Other Financing Sources (Uses) | | | | |
| Advances In | | | 36,031 | 36,031 |
| Advances Out | | (35,500) | (49,059) | (13,559) |
| Transfers Out | | (40,000) | (40,000) | |
| <i>Total Other Financing Sources (Uses)</i> | | <u>(75,500)</u> | <u>(53,028)</u> | <u>22,472</u> |
| <i>Net Change in Fund Balance</i> | (413,602) | (261,532) | (115,468) | 146,064 |
| <i>Fund Balance Beginning of Year</i> | 757,012 | 757,012 | 757,012 | |
| <i>Prior Year Encumbrances Appropriated</i> | 60,256 | 60,256 | 60,256 | |
| <i>Fund Balance End of Year</i> | <u>\$403,666</u> | <u>\$555,736</u> | <u>\$701,800</u> | <u>\$146,064</u> |

See accompanying notes to the basic financial statements

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

**Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006**

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--|----------------------------------|-----------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$5,050</u> | <u>\$28,396</u> |
| Net Assets | | |
| Held in Trust for Scholarships | <u>\$5,050</u> | |
| Held for Student Activities | | <u>\$28,396</u> |

See accompanying notes to the basic financial statements

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

**Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2006**

| | <u>Private Purpose Trust</u> |
|--------------------------------|----------------------------------|
| Additions | |
| Interest | \$ 20 |
| Deductions | |
| Scholarships | <u>100</u> |
| Change in Net Assets | (80) |
| Net Assets - Beginning of Year | <u>5,130</u> |
| Net Assets - End of Year | <u><u>\$5,050</u></u> |

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - REPORTING ENTITY

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

The District was established in 1951 through the consolidation of existing land areas and school districts. The District serves an area of approximately 66 square miles. It is located in Putnam County and includes the entire Village of Pandora and Gilboa, and portions of Riley, Blanchard, Richland, Pleasant, and Van Buren townships. The District is staffed by 20 classified employees, 44 certified teaching personnel, and 6 administrative employees who provide services to 598 students and other community members. The District currently operates 1 building.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

The primary government of the District 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.

B. Component Units

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. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The District has no component units.

C. Joint Venture

The District participates in five jointly governed organizations and three public entity risk pools. These organizations are:

Jointly Governed Organizations:

- Northwest Ohio Area Computer Services Cooperative;
- Millstream Cooperative Career Center;
- West Central Regional Professional Development Center;
- Northwest Ohio Special Education Regional Resource Center;
- Northwestern Ohio Educational Research Council, Inc.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 1 - REPORTING ENTITY – (CONTINUED)

Public Entity Risk Pool:
Schools of Ohio Risk Sharing Authority
Ohio School Board Association Workers' Compensation Group Rating Program
Putnam County School Insurance Group

These organizations are presented in Notes 8 and 14 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Building Fund – The building fund accounts for state and local resources restricted to constructing and equipping the new District facilities as part of the Ohio School Facilities Commission building project.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

During 2006, the District invested in Star Ohio, Federal Agency Securities and a U.S. Government money market fund. Investments are reported at cost, except for STAR Ohio. 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 2a7of 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, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2006 was \$49,712 which included \$25,220 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the acquisition of textbooks and instructional materials.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

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

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

L. Long-Term Obligations

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes.

The District applies restricted resources when an expense is incurred for purpose for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board for future payment of termination benefits. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks and instructional materials and bus purchases.

NOTE 3 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$99,610 in the General Fund.

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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 or Ohio local governments;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. 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 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$924,802 of the District's bank balance of \$1,438,803 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2006, the District had \$429,364 in STAR Ohio, \$137 in a U.S. Government money market fund, and \$4,910 in federal securities (Federal Home Loan Mortgage Corporation). Star Ohio has a maturity of approximately one month. The U.S. Government money market fund has a maturity of six months or less. The Federal Home Loan Mortgage Corporation has a maturity date in 2035.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM and Aaa by Standard and Poor's and Moody's Investor Services, respectively. The U.S. Government money market carries a rating of AAAM by Standard and Poor's. The Federal Home Loan Mortgage Corporation securities carry a rating of AAA and Aaa by Standard and Poor's and Moody's Investor Services, respectively. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Government money market is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. Of the District's total investments, STAR Ohio represents 98.83%, the U.S. Government money market fund represents .03% and the Federal Home Loan Mortgage Corporation securities represent 1.14%.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected in 2006 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2006 (other than public utility property) represents the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 6 - PROPERTY TAXES – (CONTINUED)

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2006 taxes were collected are:

| | 2005 Second- Half Collections | | 2006 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Real Property: | | | | |
| Agricultural/Residential | \$45,475,270 | 84.14% | \$48,146,080 | 84.85% |
| Commercial/Industrial | 2,812,440 | 5.20 | 3,127,980 | 5.51 |
| Public Utility Property | 1,739,340 | 3.22 | 1,940,660 | 3.42 |
| Tangible Personal Property | 4,022,790 | 7.44 | 3,531,244 | 6.22 |
| Total Assessed Value | <u>\$54,049,840</u> | <u>100.00%</u> | <u>56,745,964</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$43.15 | | \$42.95 | |

NOTE 7 - INCOME TAXES

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was renewed for a period of five years on January 1, 2004. 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 receipts are recorded in the General Fund.

NOTE 8 - RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

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 2006, the District contracted for the following insurance coverage.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 8 - RISK MANAGEMENT – (CONTINUED)

Coverage provided through the Schools of Ohio Risk Sharing Authority (SORSA) is as follows:

| | <u>Coverage</u> |
|--|-----------------|
| Property including inland marine – replacement cost (\$1,000 deductible) | \$17,176,579 |
| Employee Dishonesty Liability | 50,000 |
| Automobile Liability | 4,000,000 |
| Uninsured Motorists | 1,000,000 |
| Medical Payments - per occurrence | 5,000 |
| Educator's Legal Liability – errors or omissions | 4,000,000 |
| General District Liability | |
| Total per year | 6,000,000 |

Settled claims have none exceeded this commercial coverage in any of the past three years.

SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High St., Columbus, Ohio 43235.

B. Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Board Association's Worker's Compensation Group Rating Program (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 worker's 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 25 member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Putnam County Schools Insurance Group

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Sky Trust. The District converted its fully-insured medical insured program to partial self insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claim review and processing. The District maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

The District provides prescription drug insurance benefits to employees through a self-insurance program. The premiums and related disbursements are accounted for in the General fund. All claims are paid by the District with the request for reimbursement submitted by the employee on behalf of the District. The District has no stop loss insurance and has not set a maximum amount payable per beneficiary.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 8 - RISK MANAGEMENT – (CONTINUED)

However, the District's liability is limited to the employee's unpaid deductible and maximum out of pocket expense.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 10. As such, no funding provisions are required by the District.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$57,938, \$54,747, and \$44,785, respectively; 46.99 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 divided by 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

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 of 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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$260,092, \$248,563, and \$274,208, respectively; 81.74 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

NOTE 10 – POST-EMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$20,007 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 10 – POST-EMPLOYMENT BENEFITS – (CONTINUED)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$27,275.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

NOTE 11 – DEBT

The changes in the District's long-term obligations during fiscal year 2006 were as follows:

| | Principal Outstanding 6/30/05 | Reductions | Principal Outstanding 6/30/06 | Amounts Due in One Year |
|----------------------------------|-------------------------------------|-------------------|-------------------------------------|-------------------------------|
| | <u>6/30/05</u> | <u>Reductions</u> | <u>6/30/06</u> | <u>One Year</u> |
| <u>General Obligation Bonds:</u> | | | | |
| General obligation bonds | \$3,595,000 | \$145,000 | \$3,450,000 | \$150,000 |
| Capital appreciation bonds | 116,000 | | 116,000 | |
| Total General Obligation Bonds | <u>\$3,711,000</u> | <u>\$145,000</u> | <u>\$3,566,000</u> | <u>\$150,000</u> |

Series 2002 School Improvement General Obligation Bonds – Interest Rates 4.00 – 5.125%: During fiscal year 2002, the voters of the District authorized the issuance of \$4,025,000 in general obligation bonds, for the purpose of renovating and otherwise improving school facilities. These bonds will be retired from proceeds of an additional bonded debt tax levy and will be paid from the Bond Retirement Fund.

The Series 2002 school improvement general obligation bond issue is comprised of both current interest bonds, par value \$4,025,000, and capital appreciation bonds, par value \$330,000. The capital appreciation bonds mature on December 1, 2009-2010, at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The current interest bonds maturing on or after December 1, 2011, are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 11 – DEBT – (CONTINUED)

Redemption Date Redemption Price

December 1, 2011 and thereafter

100% of par

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, 2023.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2006 are as follows:

| <u>Year Ended</u> | <u>General Obligation Bonds - 2002 Issue</u> | | | <u>Capital Appreciation Bonds</u> | | |
|-------------------|--|---------------------------|---------------------------|-----------------------------------|-------------------------|-------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2007 | \$150,000 | \$167,062 | \$317,062 | | | |
| 2008 | 155,000 | 160,963 | 315,963 | | | |
| 2009 | 160,000 | 154,563 | 314,563 | | | |
| 2010 | | 151,263 | 151,263 | \$61,411 | \$103,589 | \$165,000 |
| 2011 | | 151,263 | 151,263 | 54,589 | 110,411 | 165,000 |
| 2012-2016 | 925,000 | 645,687 | 1,570,687 | | | |
| 2017-2021 | 1,195,000 | 379,320 | 1,574,320 | | | |
| 2022-2023 | 865,000 | 67,780 | 932,780 | | | |
| Total | <u>\$3,450,000</u> | <u>\$1,877,901</u> | <u>\$5,327,901</u> | <u>\$116,000</u> | <u>\$214,000</u> | <u>\$330,000</u> |

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$1,693,314 (including available funds of \$152,177) and an unvoted debt margin of \$56,746.

NOTE 12 – LEASES

The District entered into a lease-purchase agreement, through the OASBO Expanded Asset Pooled Financing Program, to supplement the local cost of an amendment to the new school construction with the Ohio School Facilities Commission. Lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. Assets were acquired by the lease in the amount of \$374,990. Principal payments in fiscal year 2006 were \$4,000 in the governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 12 – LEASES – (CONTINUED)

Principal and interest requirements to retire lease-purchase commitments outstanding at June 30, 2006, were as follows:

| Year | Principal | Interest | Total |
|-----------|------------------|------------------|------------------|
| 2007 | \$5,000 | 11,410 | 16,410 |
| 2008 | 6,000 | 11,169 | 17,169 |
| 2009 | 7,000 | 10,884 | 17,884 |
| 2010 | 8,000 | 10,556 | 18,556 |
| 2011 | 9,000 | 10,183 | 19,183 |
| 2012-2016 | 78,000 | 42,136 | 120,136 |
| 2017-2021 | 103,000 | 21,878 | 124,878 |
| 2022-2023 | 47,000 | 2,081 | 49,081 |
| Total | <u>\$263,000</u> | <u>\$120,297</u> | <u>\$383,297</u> |

NOTE 13 - SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during 2006.

| | <u>Textbooks/ Instructional Materials</u> | <u>Capital Maintenance</u> |
|------------------------------------|---|--------------------------------|
| Balance at June 30, 2005 | \$1,955 | |
| Current Year Set Aside Requirement | 87,599 | \$87,599 |
| Qualifying Cash Disbursements | (69,402) | (62,519) |
| Offsets | | <u>(25,080)</u> |
| Balance at June 30, 2006 | <u>\$20,151</u> | |

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The District had \$3,841 restricted for bus purchases at June 30, 2006

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. 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 Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Career Center

The Millstream Cooperative Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90. 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 Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to the Findlay City School District, Michael Barnhart, Treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

C. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulate regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Greg Spiess, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

D. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Michel, Eastwood Local Schools, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

E. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representative from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

NOTE 15 - CONTINGENCIES

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2006, will not have a material adverse effect on the District.

NOTE 16 – SUBSEQUENT EVENTS

In May 2006, the voters approved an additional 1% percent Income Tax for general operations. The levy is effective January 1, 2007, and expires on December 31, 2011.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 governmental activities, each major fund, and the aggregate remaining fund information of Pandora-Gilboa Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2007, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 12, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated February 12, 2007, we reported other matters related to noncompliance we deemed immaterial

We intend this report solely for the information and use of the audit committee, management and the Board of Education. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 12, 2007

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

**SCHEDULE OF FINDINGS
JUNE 30, 2006**

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with another comprehensive accounting basis. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Officials' Response

The Board of Education passed a resolution on May 17, 2004 to report District financial statements on a cash basis instead of generally accepted accounting principles in order to avoid incurring additional preparation and auditing costs.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2005-001 | Ohio Revised Code 117.38 for not filing GAAP statements | No | Repeated as finding 2006-001 |
| 2005-002 | Lease Purchase Agreement Section 8.01 for not filing audited fiscal year 2004 statements with lease trustee and administrator | N/A | Finding Not Valid for Fiscal Year 2006 as the District receives a biannual audit |



Mary Taylor, CPA
Auditor of State

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 15, 2007