



Dave Yost • Auditor of State

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

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PUTNAM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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 years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 4, 2014

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited**

The discussion and analysis of the Pandora-Gilboa School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. 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 notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

In total, net position increased \$426,024.

General revenues accounted for \$6,520,243, or 88 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, accounted for \$877,167, or 12 percent of total revenues of \$7,397,410.

The District's major funds are the General Fund and the Bond Retirement Fund.

The General Fund had \$6,409,570 in receipts and other financing sources and \$5,955,494 in disbursements and other financing uses. The General Fund's balance increased \$454,076 from the prior fiscal year.

The Bond Retirement Fund had \$374,278 in receipts and \$339,844 in disbursements. The Bond Retirement Fund's balance increased \$34,434 from the prior fiscal year.

The revenue generated from the Debt Service Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities, both reported on the cash basis, provide information about the activities of the whole District.

Fund financial statements provide a greater 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 a single column. For the District, the General Fund is the most significant fund. The General Fund and the Bond Retirement Fund are the major funds.

Reporting the District as a Whole

The statement of net position and the statement of activities, reflect how the District did financially during fiscal year 2014 within the limitations of the cash basis of accounting.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited
(Continued)**

In the statement of net position and the statement of activities, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, food services, extracurricular activities, capital outlay disbursements, and debt service.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

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 funds are the General Fund and the Bond Retirement Fund.

Governmental Funds - Most of the District's 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 less financial resources that can be spent to finance the District's 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 fund is the General Fund and Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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 from these funds are not available to support the District's programs.

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013.

Table 1		
Net Position		
Governmental Activities		
	2014	2013
<u>Assets:</u>		
Current and Other Assets	\$4,216,382	\$3,790,358
<u>Net Position:</u>		
Restricted for Debt Service	\$430,092	\$395,658
Restricted for Capital Outlay	426,845	434,758
Restricted for Other Purposes	192,775	247,350
Unrestricted	3,166,670	2,712,592
Total	\$4,216,382	\$3,790,358

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited
(Continued)**

As mentioned previously, net position of governmental activities increased \$426,024 or 11 percent during fiscal year 2014. The primary reason contributing to the increase in cash balance was the General Fund realized an increase in revenues during 2014. The larger increases were in property and other local taxes, income tax, and intergovernmental.

Table 2 reflects the changes in net position for 2014 compared to fiscal year 2013.

**Table 2
Change in Net Position
Governmental Activities**

	2014	2013
<u>Receipts:</u>		
Program Revenues:		
Charges for Services and Sales	\$531,476	\$494,572
Operating Grants, Contributions and Interest	345,691	404,925
Total Program Revenues	877,167	899,497
General Revenues:		
Property Taxes	1,807,001	1,781,350
Income Taxes	1,520,646	1,309,710
Grants and Entitlements	3,076,926	3,062,944
Gifts and Donations	43,236	36,610
Investment Earnings	5,564	4,964
Miscellaneous	3,333	10,903
Proceeds from Sale of Capital Assets	63,537	
Total General Revenues	6,520,243	6,206,481
Total Revenues	7,397,410	7,105,978
<u>Disbursements:</u>		
Instruction	4,027,857	3,785,183
Support Services:		
Pupils	98,097	89,224
Instructional Staff	175,310	259,917
Board of Education	16,440	16,436
Administration	576,353	582,420
Fiscal	177,255	194,152
Operation and Maintenance of Plant	637,166	594,530
Pupil Transportation	333,098	379,272
Central	14,910	14,013
Non-Instructional	265,555	265,183
Extracurricular Activities	302,736	290,904
Capital Outlay	16,065	226,672
Principal	242,000	236,000
Interest and Fiscal Charges	88,544	93,998
Total Disbursements	6,971,386	7,027,904
Increase in Net Position	426,024	78,074
Net Position Beginning of Year	3,790,358	3,712,284
Net Position End of Year	\$4,216,382	\$3,790,358

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited
(Continued)**

Program receipts account for 12 percent of total receipts and are represented by restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales.

As stated previously, general receipts represent 88 percent of the District's total receipts, and of this amount, over 47 percent is the result of unrestricted grants and entitlements which primarily represents State foundation resources. Property taxes and income taxes make up the balance of the District's general receipts (28 percent property and 23 percent income). Other receipts, such as interest, donations, and rent are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 58 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 9 percent of governmental disbursements. Maintenance of the District's facilities represents a significant disbursement of 9 percent. The remaining 24 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is for instruction, which accounts for 58 percent of all governmental disbursements. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by state unrestricted entitlements and local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
Instruction	\$4,027,857	\$3,523,500	\$3,785,183	\$3,278,264
Support Services:				
Pupils	98,097	98,097	89,224	89,224
Instructional Staff	175,310	169,910	259,917	254,517
Board of Education	16,440	16,440	16,436	16,436
Administration	576,353	576,353	582,420	582,420
Fiscal	177,255	177,255	194,152	194,152
Operation and Maintenance of Plant	637,166	622,711	594,530	580,075
Pupil Transportation	333,098	333,098	379,272	379,272
Central	14,910	14,910	14,013	14,013
Non-Instructional	265,555	27,158	265,183	5,964
Extracurricular Activities	302,736	188,178	290,904	177,400
Capital Outlay	16,065	16,065	226,672	226,672
Principal	242,000	242,000	236,000	236,000
Interest and Fiscal Charges	88,544	88,544	93,998	93,998
Total Expenses	\$6,971,386	\$6,094,219	\$7,027,904	\$6,128,407

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited
(Continued)**

The dependence upon tax revenues, income tax revenues, and unrestricted state entitlements for governmental activities is apparent. Over 88 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 88 percent. The remaining 12 percent are derived from charges for services and operating grants and contributions.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts and other financing sources of \$7,404,267 and disbursements and other financing uses of \$6,978,243. The District's major governmental funds are the General Fund and the Bond Retirement Fund. The net positive change of \$426,024 in fund balances for the year indicates that the District was able to meet current costs.

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 the course of fiscal year 2014, the District amended its General Fund budget as needed to reflect changing circumstances.

Actual receipts and other financing sources were more than final budget receipts and other financing sources by \$16,388. The final estimated resources were more than the original estimated resources by \$428,421.

Final disbursements and other financing uses were budgeted at \$6,429,813 while actual disbursements were \$6,118,081. The \$311,732 difference between budgeted disbursements and actual disbursements was a result of lower than anticipated instructional support and maintenance expenditures.

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

At June 30, 2014, the District had \$2,234,997 in school improvement general obligation bonds for building improvements. For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is looking toward new avenues of funding in the state of a declining economy and uncertainty in State funding. Pandora-Gilboa is a small rural community of 2,500 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the second year of the state biennium budget. 53 percent of District revenue sources are from local funds, 47 percent is from state and federal funds. The total expenditure per pupil was calculated at \$10,238.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
Unaudited
(Continued)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Brad Deleruyelle, Treasurer, Pandora-Gilboa Local School District, 410 Rocket Ridge, Pandora, Ohio 45877.

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

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,216,382</u>
Net Position:	
Restricted for Debt Service	\$430,092
Restricted for Capital Outlay	426,845
Restricted for Other Purposes	192,775
Unrestricted	<u>3,166,670</u>
<i>Total Net Position</i>	<u><u>\$4,216,382</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$3,294,258	\$248,069	\$100,398	(\$2,945,791)
Special	579,243		105,696	(473,547)
Vocational	154,356		50,194	(104,162)
Support Services:				
Pupils	98,097			(98,097)
Instructional Staff	175,310		5,400	(169,910)
Board of Education	16,440			(16,440)
Administration	576,353			(576,353)
Fiscal	177,255			(177,255)
Operation and Maintenance of Plant	637,166		14,455	(622,711)
Pupil Transportation	333,098			(333,098)
Central	14,910			(14,910)
Operation of Non-Instructional Services	265,555	168,849	69,548	(27,158)
Extracurricular Activities	302,736	114,558		(188,178)
Capital Outlay	16,065			(16,065)
Debt Service:				
Principal	242,000			(242,000)
Interest and Fiscal Charges	88,544			(88,544)
Totals	\$6,971,386	\$531,476	\$345,691	(6,094,219)
 General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,452,848
Property Taxes, Levied for Debt Service				328,642
Property Taxes, Levied for Classroom Facilities				25,511
Income Taxes				1,520,646
Grants and Entitlements not Restricted to Specific Programs				3,076,926
Gifts and Donations				43,236
Investment Earnings				5,564
Miscellaneous				3,333
Refund of Prior Year Disbursements				63,537
Total General Receipts				6,520,243
Change in Net Position				426,024
Net Position Beginning of Year				3,790,358
Net Position End of Year				\$4,216,382

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$3,166,670</u>	<u>\$430,092</u>	<u>\$619,620</u>	<u>\$4,216,382</u>
Fund Balances				
Restricted		\$430,092	\$619,620	\$1,049,712
Committed	\$5,431			5,431
Assigned	232,655			232,655
Unassigned	<u>2,928,584</u>			<u>2,928,584</u>
Total Fund Balances	<u>\$3,166,670</u>	<u>\$430,092</u>	<u>\$619,620</u>	<u>\$4,216,382</u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property and Other Local Taxes	\$1,452,848	\$328,642	\$25,511	\$1,807,001
Income Tax	1,520,646			1,520,646
Intergovernmental	3,077,782	45,636	299,199	3,422,617
Interest	5,289		275	5,564
Tuition and Fees	247,634			247,634
Rent	435			435
Extracurricular Activities	26,441		88,117	114,558
Gifts and Donations	13,758		29,478	43,236
Customer Sales and Services			168,849	168,849
Miscellaneous	1,200		2,133	3,333
Total Receipts	<u>6,346,033</u>	<u>374,278</u>	<u>613,562</u>	<u>7,333,873</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,176,381		117,877	3,294,258
Special	473,547		105,696	579,243
Vocational	154,356			154,356
Support Services:				
Pupils	98,097			98,097
Instructional Staff	169,910		5,400	175,310
Board of Education	16,440			16,440
Administration	576,353			576,353
Fiscal	167,199	9,300	756	177,255
Operation and Maintenance of Plant	551,960		85,206	637,166
Pupil Transportation	333,098			333,098
Central	14,910			14,910
Operation of Non-Instructional Services	2,233		263,322	265,555
Extracurricular Activities	206,273		96,463	302,736
Capital Outlay	7,880		8,185	16,065
Debt Service:				
Principal		242,000		242,000
Interest		88,544		88,544
Total Disbursements	<u>5,948,637</u>	<u>339,844</u>	<u>682,905</u>	<u>6,971,386</u>
Excess of Receipts Over (Under) Disbursements	<u>397,396</u>	<u>34,434</u>	<u>(69,343)</u>	<u>362,487</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers In			6,857	6,857
Refund of Prior Year Disbursements	63,537			63,537
Transfers Out	(6,857)			(6,857)
Total Other Financing Sources and (Uses)	<u>56,680</u>		<u>6,857</u>	<u>63,537</u>
<i>Net Change in Fund Balances</i>	454,076	34,434	(62,486)	426,024
Fund Balances at Beginning of Year	2,712,594	395,658	682,106	3,790,358
<i>Fund Balances at End of Year</i>	<u>\$3,166,670</u>	<u>\$430,092</u>	<u>\$619,620</u>	<u>\$4,216,382</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$1,152,848	\$1,442,848	\$1,452,848	\$10,000
Income Tax	1,520,646	1,510,646	1,520,646	10,000
Intergovernmental	2,913,664	3,062,085	3,077,782	15,697
Interest	5,000	5,000	5,289	289
Tuition and Fees	269,261	269,261	247,634	(21,627)
Rent	435	435	435	
Gifts and Donations	12,172	12,172	12,271	99
Miscellaneous	205	205	205	
Total Receipts	<u>5,874,231</u>	<u>6,302,652</u>	<u>6,317,110</u>	<u>14,458</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,206,834	3,299,454	3,168,755	130,699
Special	466,450	470,865	473,547	(2,682)
Vocational	163,382	163,382	155,604	7,778
Support Services:				
Pupils	106,577	106,577	97,432	9,145
Instructional Staff	226,167	199,817	172,008	27,809
Board of Education	17,444	17,444	16,474	970
Administration	568,458	568,458	548,632	19,826
Fiscal	173,449	173,449	167,419	6,030
Operation and Maintenance of Plant	592,870	592,870	562,350	30,520
Pupil Transportation	379,427	379,427	334,229	45,198
Central	17,686	17,686	15,137	2,549
Operation of Non-Instructional Services	3,115	3,115	2,233	882
Extracurricular Activities	230,929	230,929	206,134	24,795
Capital Outlay	156,340	156,340	156,340	
Total Disbursements	<u>6,309,128</u>	<u>6,379,813</u>	<u>6,076,294</u>	<u>303,519</u>
Excess of Receipts Over (Under) Disbursements	<u>(434,897)</u>	<u>(77,161)</u>	<u>240,816</u>	<u>317,977</u>
Other Financing Sources and (Uses):				
Transfers In			1,930	1,930
Refund of Prior Year Disbursements	63,537	63,537	63,537	
Transfers Out	(50,000)	(50,000)	(41,787)	8,213
Total Other Financing Sources and (Uses)	<u>13,537</u>	<u>13,537</u>	<u>23,680</u>	<u>10,143</u>
<i>Net Change in Fund Balance</i>	(421,360)	(63,624)	264,496	328,120
Fund Balance at Beginning of Year	2,641,350	2,641,350	2,641,350	
Prior Year Encumbrances Appropriated	22,890	22,890	22,890	
Fund Balance at End of Year	<u>\$2,242,880</u>	<u>\$2,600,616</u>	<u>\$2,928,736</u>	<u>\$328,120</u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$171,835</u>	<u>\$31,959</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		<u>\$31,959</u>
Net Position:		
Held in Trust for Scholarships	<u>\$171,835</u>	

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
Additions:	
Interest	<u>\$420</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>4,000</u>
<i>Change in Net Position</i>	(3,580)
Net Position Beginning of Year	<u>175,415</u>
Net Position End of Year	<u><u>\$171,835</u></u>

See Accompanying Notes to the Basic Financial Statements

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**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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/or 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 Villages of Pandora and Gilboa, and portions of Riley, Blanchard, Richland, Pleasant, and Van Buren Townships. The District employs 27 non-certified and 42 certified teaching personnel, and 6 administrative employees to provide services to approximately 564 students in grades K through 12 and other community members. The District currently operates one building.

The reporting entity is composed of the primary government, component units, 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 does not have any component units.

C. Other Organizations

The District participates in four 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
- Northwestern Ohio Educational Research Council, Inc.
- State Support Region 1

Public Entity Risk Pools:

- Schools of Ohio Risk Sharing Authority
- Putnam County School Insurance Group
- Ohio School Boards Association Workers' Compensation Group Rating Program

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 1 – REPORTING ENTITY (Continued)

These organizations are presented in Notes 8 and 15 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 cash basis of accounting. This 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 cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, 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 cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. 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 position, 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 position 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.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal yearend. 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 government 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 basis or draws from the District's general receipts.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 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 non-exchange transactions as governmental funds. The following is the District's major governmental fund:

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 to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs.

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. The District's private purpose trust fund accounts for programs that provided college scholarships to students after graduations. Agency funds are custodial in nature. The District's Agency funds account for various student managed activities.

Basis of Presentation

The District's financial statements are prepared using the 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses 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 disbursement plus encumbrances at the level of control selected by the Board. The Board of Education uses the fund/cost center as its legal level of control. 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 revenue 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 are 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2014, investments were limited to, a money market mutual fund, and the State Treasury Asset Reserve of Ohio (STAR Ohio). The District's money market mutual fund is recorded at the amount reported by Fifth Third Investments at June 30, 2014.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2014 amounted to \$5,289, and \$1,532 assigned from other District funds.

F. 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.

G. 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.

H. 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.

I. 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 cash basis of accounting.

J. 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

The District's 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 another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Position

Net position 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 position 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's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable – the nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

N. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursement in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principle

For 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 67, "Financial Reporting of Pension Plans" and Governmental Accounting Standard Board (GASB) Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)

However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.

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 has prepared its financial statements on a 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 position/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.

NOTE 4 – 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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 through eligible institutions; and
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 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, \$1,679,459 of the District's bank balance of \$2,428,459 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, 2014, the District had investments with STAR Ohio with a carrying balance of \$2,058,778.

STAR Ohio carries a rating of AAAM by Standard and Poor's. 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 on nationally recognized standard rating service.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 5 – 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 cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$216,216 in the General Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue fund (public school support funds) are considered part of the General fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General fund:

Net Change in Fund Cash Balance	
	General Fund
Cash Basis (as Reported)	\$454,076
Funds Budgeted Elsewhere	26,636
Outstanding Encumbrances	<u>(216,216)</u>
Cash Basis (as Reported)	<u>\$264,496</u>

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 2014 represent the collection of calendar years 2013 taxes. Real property taxes received in calendar years 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, respectively, 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 years 2014 represent the collection of calendar years 2013 taxes. Public utility real and tangible personal property taxes received in calendar years 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected 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.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014 are available to finance fiscal years 2014 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$72,146,330	93.25%	\$72,690,350	92.76%
Industrial/Commercial	3,317,560	4.29%	3,672,470	4.69%
Public Utility Property	1,905,670	2.46%	1,998,800	2.55%
Total Assessed Value	<u>\$77,369,560</u>	<u>100.00%</u>	<u>\$78,361,620</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.80		\$42.80	

NOTE 7 – INCOME TAXES

The District levies a voted tax of .75% for general operations on the income of residents and of estates. The tax was renewed for a period of five years on January 1, 2008. 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. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 75 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District’s policy. SORSA covers the following risks:

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

	<u>Coverage</u>
Property	\$21,387,766
Employee Dishonesty Liability	100,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000
Medical Payments – per occurrence	10,000
General District Liability	
Total per year	17,000,000

Settled claims have not exceeded the 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.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 8 – RISK MANAGEMENT (Continued)

B. Employee Medical Benefits

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington Trust. The District converted its fully-insured medical insurance 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.

C. Workers' Compensation

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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2014, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 was \$328,895, \$317,350, and \$313,778, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 stand-alone financial report that may be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources. 7

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$78,128, \$116,309, and \$73,206, respectively; 26 percent has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Chapter 3307 of the Ohio revised code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$25,300, \$24,412, and \$24,137, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. School Employees Retirement System

Plan Description - The District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2014 this amount was \$20,525. For fiscal year 2014, the District paid \$10,166 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$13,549, \$12,891, and \$13,906, respectively. For fiscal year 2014, 81 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$4,614, \$5,027, and \$7,833, respectively. For fiscal year 2014, 26 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 11 – DEBT

The changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 06/30/2013	Additions	Reductions	Principal Outstanding 06/30/2014	Amounts Due In One Year
General Obligation Bonds:					
General obligation bonds – 2010	\$2,320,000		\$225,000	\$2,095,000	\$230,000
Capital appreciation bonds - 2010	139,997			139,997	
Total General Obligation Bonds	\$2,459,997		\$225,000	\$2,234,997	\$230,000

2010 Advance Refunding of 2002 Bonds – Interest Rates 3.55 – 4.375%: Proceeds from the outstanding bonds were used for the purpose of advance refunding of general obligation bonds, dated July 1, 2001, which were issued for the purpose of renovating and otherwise improving school facilities. The bonds were issued on May 18, 2010. The bonds consisted of \$2,840,000 in current interest serial bonds and \$139,997, in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Fiscal Year	Principal Amount	Interest Rate
2015	\$230,000	2.500%
2018	250,000	3.375%
2019	250,000	3.500%
2020	255,000	4.000%
2021	260,000	4.000%
2022	275,000	4.000%
2023	285,000	4.000%
2024	290,000	4.000%

The capital appreciation bonds were issued in the aggregate original principal amount of \$139,997 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

Fiscal Year	Original Principal Amount	Accreted Value at Maturity
2016	\$76,352	\$235,000
2017	63,645	240,000

At June 30, 2014, the total amount of these bonds including accretion was \$317,744. The bonds are being retired through the Bond Retirement Debt Service Fund.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 11 – DEBT (Continued)

At June 30, 2014, \$2,234,997 of the refunded bonds were still outstanding.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2014, are as follows:

<u>Year</u> <u>Ended</u>	<u>General Obligation Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$230,000	\$74,663	\$304,663			
2016		71,788	71,788	\$76,352	\$158,648	\$235,000
2017		71,787	71,787	63,645	176,355	240,000
2018	250,000	67,569	317,569			
2019	250,000	58,975	308,975			
2020 - 2024	1,365,000	140,300	1,505,300			
Total	<u>\$2,095,000</u>	<u>\$485,082</u>	<u>\$2,580,082</u>	<u>\$139,997</u>	<u>\$335,003</u>	<u>\$475,000</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, 2014 are a voted debt margin of \$ 5,062,641 and an unvoted debt margin of \$78,362.

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 2014 were \$17,000.

Principal and interest requirements to retire lease-purchase commitments outstanding at June 30, 2014, were as follows:

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$17,000	\$7,731	\$24,731
2016	18,000	6,964	24,964
2017	19,000	6,154	25,154
2018	20,000	5,300	25,300
2019	21,000	4,402	25,402
2020 - 2023	90,000	8,103	98,103
Total	<u>\$185,000</u>	<u>\$38,654</u>	<u>\$223,654</u>

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 13 – SET ASIDE CALCULATIONS

State statute annually requires the District to set aside in the General Fund an amount based on a statutory formula to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years.

The following cash basis information describes the change in the fund balance reserves for capital improvements during fiscal year 2014.

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2013	
Current Year Set-aside Requirement	\$93,275
Qualifying Disbursements	(93,275)
Total	

NOTE 14 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

B. Litigation

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), a not-for-profit computer service organization. NOACSC is an association of public districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert, and Wood 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 electronic equipment to administrative and instructional functions among member 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 District. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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. 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.

D. State Support Team Region 1

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The Lucas County Educational Service Center is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at www.sstr1.org.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 16 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted For:				
Special Instruction			\$3,310	\$3,310
Athletics			29,855	29,855
Facilities Maintenance			159,610	159,610
Debt Retirement		\$430,092		430,092
Capital Improvements			426,845	426,845
Total Restricted		430,092	619,620	1,049,712
Committed for:				
Severance	\$5,431			5,431
Assigned for:				
Educational Activities	16,439			16,437
Unpaid Obligations (encumbrances)	216,216			216,218
Total Assigned	232,655			232,655
Unassigned	2,928,584			2,928,584
Total Fund Balance	<u>\$3,166,670</u>	<u>\$430,092</u>	<u>\$619,620</u>	<u>\$4,216,382</u>

NOTE 17 - TRANSFERS

During the year ended June 30, 2014, the General Fund transferred \$6,857 to the Food Service Fund to use on lunchroom expenses.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
Unaudited**

The discussion and analysis of the Pandora-Gilboa School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. 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 notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

In total, net position increased \$78,074.

General revenues accounted for \$6,206,481, or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, accounted for \$899,497, or 13 percent of total revenues of \$7,105,978.

The District's major funds are the General Fund and the Bond Retirement Fund.

The General Fund had \$6,009,854 in receipts and \$5,963,775 in disbursements. The General Fund's balance increased \$46,079 from the prior fiscal year.

The Bond Retirement Fund had \$387,889 in revenues and \$339,799 in expenditures. The Bond Retirement Fund's balance increased \$48,090 from the prior fiscal year.

The revenue generated from the Debt Service Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities, both reported on the cash basis, provide information about the activities of the whole District.

Fund financial statements provide a greater 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 a single column. For the District, the General Fund is the most significant fund. The General Fund and the Bond Retirement Fund are the major funds.

Reporting the District as a Whole

The statement of net position and the statement of activities, reflect how the District did financially during fiscal year 2013 within the limitations of the cash basis of accounting.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
Unaudited
(Continued)**

In the statement of net position and the statement of activities, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, food services, extracurricular activities, capital outlay disbursements, and debt service.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

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 funds are the General Fund and the Bond Retirement Fund.

Governmental Funds - Most of the District's 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 less financial resources that can be spent to finance the District's 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 Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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 from these funds are not available to support the District's programs.

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012.

Table 1		
Net Position		
Governmental Activities		
	2013	2012
<u>Assets:</u>		
Current and Other Assets	\$3,790,358	\$3,712,284
<u>Net Position:</u>		
Restricted for Debt Service	\$395,658	\$347,568
Restricted for Capital Outlay	434,758	442,056
Restricted for Other Purposes	247,350	318,720
Unrestricted	2,712,592	2,603,940
Total	\$3,790,358	\$3,712,284

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
Unaudited
(Continued)**

As mentioned previously, net position of governmental activities increased \$78,074 or 2 percent during fiscal year 2013. The primary reason contributing to the increase in cash balance was the General Fund realized an increase in revenues during 2013. The larger increases were in property and other local taxes, income tax, and intergovernmental.

Table 2 reflects the changes in net position for 2013 compared to fiscal year 2012.

**Table 2
Change in Net Position
Governmental Activities**

	2013	2012
<u>Receipts:</u>		
Program Revenues:		
Charges for Services and Sales	\$494,572	\$465,746
Operating Grants, Contributions and Interest	404,925	317,741
Total Program Revenues	<u>899,497</u>	<u>783,487</u>
General Revenues:		
Property Taxes	1,781,350	1,664,866
Income Taxes	1,309,710	1,293,757
Grants and Entitlements	3,062,944	2,940,997
Gifts and Donations	36,610	44,735
Investment Earnings	4,964	3,612
Miscellaneous	10,903	7,108
Proceeds from Sale of Capital Assets		804
Total General Revenues	<u>6,206,481</u>	<u>5,955,879</u>
Total Revenues	<u>7,105,978</u>	<u>6,739,366</u>
<u>Disbursements:</u>		
Instruction	3,785,183	3,612,730
Support Services:		
Pupils	89,224	91,933
Instructional Staff	259,917	406,654
Board of Education	16,436	16,579
Administration	582,420	562,281
Fiscal	194,152	169,322
Operation and Maintenance of Plant	594,530	560,129
Pupil Transportation	379,272	318,208
Central	14,013	20,631
Non-Instructional	265,183	249,044
Extracurricular Activities	290,904	294,568
Capital Outlay	226,672	1,005
Principal	236,000	220,000
Interest and Fiscal Charges	93,998	98,867
Total Disbursements	<u>7,027,904</u>	<u>6,621,951</u>
Increase in Net Position	78,074	117,415
Net Position Beginning of Year	<u>3,712,284</u>	<u>3,594,869</u>
Net Position End of Year	<u>\$3,790,358</u>	<u>\$3,712,284</u>

Program receipts account for 13 percent of total receipts and are represented by restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
Unaudited
(Continued)**

As stated previously, general receipts represent 87 percent of the District's total receipts, and of this amount, over 49 percent is the result of unrestricted grants and entitlements which primarily represents State foundation resources. Property taxes and income taxes make up the balance of the District's general receipts (29 percent property and 21 percent income). Other receipts, such as interest, donations, and rent are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 54 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 10 percent of governmental disbursements. Maintenance of the District's facilities represents a significant disbursement of 8 percent. The remaining 28 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is for instruction, which accounts for 54 percent of all governmental disbursements. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by state unrestricted entitlements and local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3
Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$3,785,183	\$3,278,264	\$3,612,730	\$3,171,740
Support Services:				
Pupils	89,224	89,224	91,933	91,531
Instructional Staff	259,917	254,517	406,654	401,254
Board of Education	16,436	16,436	16,579	16,579
Administration	582,420	582,420	562,281	562,281
Fiscal	194,152	194,152	169,322	169,322
Operation and Maintenance of Plant	594,530	580,075	560,129	560,129
Pupil Transportation	379,272	379,272	318,208	318,208
Central	14,013	14,013	20,631	20,631
Non-Instructional	265,183	5,964	249,044	6,723
Extracurricular Activities	290,904	177,400	294,568	200,194
Capital Outlay	226,672	226,672	1,005	1,005
Principal	236,000	236,000	220,000	220,000
Interest and Fiscal Charges	93,998	93,998	98,867	98,867
Total Expenses	\$7,027,904	\$6,128,407	\$6,621,951	\$5,838,464

The dependence upon tax revenues, income tax revenues, and unrestricted state entitlements for governmental activities is apparent. Nearly 87 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 87 percent. The remaining 13 percent are derived from charges for services and operating grants and contributions.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
Unaudited
(Continued)**

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of \$7,105,978 and disbursements of \$7,027,904. The District's major governmental funds are the General Fund and the Bond Retirement Fund. The net positive change of \$78,074 in fund balance for the year indicates that the District was able to meet current costs.

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 the course of fiscal year 2013, the District amended its General Fund budget as needed to reflect changing circumstances.

Actual receipts and other financing sources were greater than final budget receipts and other financing sources by \$128,297. There was no variance between original and final estimated resources.

Final disbursements and other financing uses were budgeted at \$6,559,337 while actual disbursements were \$5,919,447. The \$639,890 difference between budgeted disbursements and actual disbursements was a result of lower than anticipated instructional support and maintenance expenditures.

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

At June 30, 2013, the District had \$2,459,997 in school improvement general obligation bonds for building improvements. For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is looking toward new avenues of funding in the state of a declining economy and uncertainty in State funding. Pandora-Gilboa is a small rural community of 2,500 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 51 percent of District revenue sources are from local funds, 49 percent is from state and federal funds. The total expenditure per pupil was calculated at \$10,125.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
Unaudited
(Continued)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Brad Deleruyelle, Treasurer, Pandora-Gilboa Local School District, 410 Rocket Ridge, Pandora, Ohio 45877.

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

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,790,358</u>
Net Position:	
Restricted for Debt Service	\$395,658
Restricted for Capital Outlay	434,758
Restricted for Other Purposes	247,350
Unrestricted	<u>2,712,592</u>
<i>Total Net Position</i>	<u><u>\$3,790,358</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$3,228,926	\$208,105	\$182,222	(\$2,838,599)
Special	457,050		101,735	(355,315)
Vocational	99,207		14,857	(84,350)
Support Services:				
Pupils	89,224			(89,224)
Instructional Staff	259,917		5,400	(254,517)
Board of Education	16,436			(16,436)
Administration	582,420			(582,420)
Fiscal	194,152			(194,152)
Operation and Maintenance of Plant	594,530		14,455	(580,075)
Pupil Transportation	379,272			(379,272)
Central	14,013			(14,013)
Operation of Non-Instructional Services	265,183	172,963	86,256	(5,964)
Extracurricular Activities	290,904	113,504		(177,400)
Capital Outlay	226,672			(226,672)
Debt Service:				
Principal	236,000			(236,000)
Interest and Fiscal Charges	93,998			(93,998)
Totals	\$7,027,904	\$494,572	\$404,925	(6,128,407)
 General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,416,941
Property Taxes, Levied for Debt Service				339,492
Property Taxes, Levied for Classroom Facilities				24,917
Income Taxes				1,309,710
Grants and Entitlements not Restricted to Specific Programs				3,062,944
Gifts and Donations				36,610
Investment Earnings				4,964
Miscellaneous				10,903
Total General Receipts				6,206,481
Change in Net Position				78,074
Net Position Beginning of Year				3,712,284
Net Position End of Year				\$3,790,358

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$2,712,594</u>	<u>\$395,658</u>	<u>\$682,106</u>	<u>\$3,790,358</u>
Fund Balances				
Restricted		\$395,658	\$682,106	\$1,077,764
Committed	\$25,574			25,574
Assigned	44,621			44,621
Unassigned	<u>2,642,399</u>			<u>2,642,399</u>
Total Fund Balances	<u>\$2,712,594</u>	<u>\$395,658</u>	<u>\$682,106</u>	<u>\$3,790,358</u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property and Other Local Taxes	\$1,416,941	\$339,492	\$24,917	\$1,781,350
Income Tax	1,309,710			1,309,710
Intergovernmental	3,023,808	48,397	395,664	3,467,869
Interest	4,678		286	4,964
Tuition and Fees	207,155			207,155
Rent	950			950
Extracurricular Activities	33,027		80,477	113,504
Gifts and Donations	4,983		31,627	36,610
Customer Sales and Services			172,963	172,963
Miscellaneous	8,602		2,301	10,903
Total Receipts	<u>6,009,854</u>	<u>387,889</u>	<u>708,235</u>	<u>7,105,978</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,022,784		206,142	3,228,926
Special	355,315		101,735	457,050
Vocational	99,207			99,207
Support Services:				
Pupils	89,224			89,224
Instructional Staff	254,517		5,400	259,917
Board of Education	16,436			16,436
Administration	582,387		33	582,420
Fiscal	183,599	9,801	752	194,152
Operation and Maintenance of Plant	532,741		61,789	594,530
Pupil Transportation	379,272			379,272
Central	14,013			14,013
Operation of Non-Instructional Services	2,314		262,869	265,183
Extracurricular Activities	212,869		78,035	290,904
Capital Outlay	219,097		7,575	226,672
Debt Service:				
Principal		236,000		236,000
Interest		93,998		93,998
Total Disbursements	<u>5,963,775</u>	<u>339,799</u>	<u>724,330</u>	<u>7,027,904</u>
Excess of Receipts Over (Under) Disbursements	<u>46,079</u>	<u>48,090</u>	<u>(16,095)</u>	<u>78,074</u>
<i>Net Change in Fund Balances</i>	46,079	48,090	(16,095)	78,074
Fund Balances at Beginning of Year	<u>2,666,515</u>	<u>347,568</u>	<u>698,201</u>	<u>3,712,284</u>
<i>Fund Balances at End of Year</i>	<u>\$2,712,594</u>	<u>\$395,658</u>	<u>\$682,106</u>	<u>\$3,790,358</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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Receipts:				
Property and Other Local Taxes	\$1,416,941	\$1,416,941	\$1,416,941	
Income Tax	1,309,710	1,309,710	1,309,710	
Intergovernmental	2,902,323	2,902,323	3,023,809	\$121,486
Interest	4,650	4,650	4,678	28
Tuition and Fees	199,709	199,709	207,154	7,445
Rent	400	400	950	550
Gifts and Donations	1,748	1,748	2,798	1,050
Miscellaneous	7,800	7,800	7,811	11
Total Receipts	<u>5,843,281</u>	<u>5,843,281</u>	<u>5,973,851</u>	<u>130,570</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,201,846	3,203,545	2,990,149	213,396
Special	419,792	419,792	355,314	64,478
Vocational	119,531	119,531	104,433	15,098
Support Services:				
Pupils	101,474	101,474	89,121	12,353
Instructional Staff	302,244	302,244	256,551	45,693
Board of Education	17,456	17,456	16,436	1,020
Administration	606,704	606,704	552,387	54,317
Fiscal	196,386	196,386	184,819	11,567
Operation and Maintenance of Plant	608,745	608,745	534,568	74,177
Pupil Transportation	450,828	458,825	375,895	82,930
Central	20,025	20,025	19,490	535
Operation of Non-Instructional Services	2,350	5,350	2,814	2,536
Extracurricular Activities	246,155	246,155	212,646	33,509
Capital Outlay	206,724	206,724	219,097	(12,373)
Total Disbursements	<u>6,500,260</u>	<u>6,512,956</u>	<u>5,913,720</u>	<u>599,236</u>
Excess of Receipts Over (Under) Disbursements	<u>(656,979)</u>	<u>(669,675)</u>	<u>60,131</u>	<u>729,806</u>
Other Financing Sources and (Uses):				
Transfers In			5,727	5,727
Advances In	8,000	8,000		(8,000)
Transfers Out	(30,000)	(36,381)	(5,727)	30,654
Advances Out	(10,000)	(10,000)		10,000
Total Other Financing Sources and (Uses)	<u>(32,000)</u>	<u>(38,381)</u>		<u>38,381</u>
<i>Net Change in Fund Balance</i>	(688,979)	(708,056)	60,131	768,187
Fund Balance at Beginning of Year	2,496,554	2,496,554	2,496,554	
Prior Year Encumbrances Appropriated	84,665	84,665	84,665	
Fund Balance at End of Year	<u>\$1,892,240</u>	<u>\$1,873,163</u>	<u>\$2,641,350</u>	<u>\$768,187</u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$175,415	\$28,771
Liabilities:		
Current Liabilities:		
Undistributed Monies		\$28,771
Net Position:		
Held in Trust for Scholarships	\$175,415	

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$170,280
Interest	117
Total Additions	<u>170,397</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>51</u>
<i>Change in Net Position</i>	170,346
Net Position Beginning of Year	<u>5,069</u>
Net Position End of Year	<u><u>\$175,415</u></u>

See Accompanying Notes to the Basic Financial Statements

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**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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/or 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 Villages of Pandora and Gilboa, and portions of Riley, Blanchard, Richland, Pleasant, and Van Buren Townships. The District employs 27 non-certified and 42 certified teaching personnel, and 6 administrative employees to provide services to approximately 567 students in grades K through 12 and other community members. The District currently operates one building.

The reporting entity is composed of the primary government, component units, 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 does not have any component units.

C. Other Organizations

The District participates in four 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
- Northwestern Ohio Educational Research Council, Inc.
- State Support Region 1

Public Entity Risk Pools:

- Schools of Ohio Risk Sharing Authority
- Putnam County School Insurance Group
- Ohio School Boards Association Workers' Compensation Group Rating Program

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 1 – REPORTING ENTITY (Continued)

These organizations are presented in Notes 8 and 15 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 cash basis of accounting. This 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 cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, 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 cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. 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 position, 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 position 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.

The statement of net position 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 government 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 basis or draws from the District's general receipts.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 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 non-exchange 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 to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs.

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. The District's private purpose trust fund accounts for programs that provided college scholarships to students after graduations. Agency funds are custodial in nature. The District's Agency funds account for various student managed activities.

C. Basis of Presentation

The District's financial statements are prepared using the 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses 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 disbursement plus encumbrances at the level of control selected by the Board. The Board of Education uses the fund/cost center as its legal level of control. 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 revenue 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 are 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2013, investments were limited to, a money market mutual fund, and the State Treasury Asset Reserve of Ohio (STAR Ohio). The District's money market mutual fund is recorded at the amount reported by Fifth Third Investments at June 30, 2013.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$4,678 and \$1,357 assigned from other District funds.

F. 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.

G. 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.

H. 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.

I. 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 cash basis of accounting.

J. 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

The District's 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 another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Position

Net position 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 position 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's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable – The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

N. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursement in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Fund Balances

The District's governmental beginning balances have been restated due to a change in the funds considered to be major funds as of June 30, 2013.

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total
Fund Balance, June 30, 2012	\$2,666,515		\$1,045,769	\$3,712,284
Adjustment		\$347,568	(347,568)	
Restated Fund Balance, June 30, 2012	\$2,666,515	\$347,568	\$698,201	\$3,712,284

B. Change in Accounting Principle

For 2013, the District has implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements".

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)

For 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

C. 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 has prepared its financial statements on a 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 position/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.

NOTE 4 – 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 may be deposited or invested in the following securities:

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

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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;
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 through eligible institutions; and
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 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, \$1,274,799 of the District's bank balance of \$1,774,799 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, 2013, the District had investments with STAR Ohio with a carrying balance of \$2,317,796.

STAR Ohio carries a rating of AAAM by Standard and Poor's. 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 on nationally recognized standard rating service.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 5 – 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 cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$22,890 in the General Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue fund (public school support funds) are considered part of the General fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General fund:

<u>Net Change in Fund Cash Balance</u>	
	<u>General Fund</u>
Cash Basis	\$46,079
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	36,942
Adjustments for Encumbrances	(22,890)
Budget Basis	<u>\$60,131</u>

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, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2013 represent the collection of calendar years 2012 taxes. Real property taxes received in calendar years 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, respectively, 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 years 2013 represent the collection of calendar years 2012 taxes. Public utility real and tangible personal property taxes received in calendar years 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected 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.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013 are available to finance fiscal years 2013 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$71,702,330	93.43%	\$72,146,330	93.25%
Industrial/Commercial	3,255,140	4.24%	3,317,560	4.29%
Public Utility Property	1,787,430	2.33%	1,905,670	2.46%
Total Assessed Value	\$76,744,900	100%	\$77,369,560	100.00%
Tax rate per \$1,000 of assessed valuation	\$42.80		\$42.80	

NOTE 7 – INCOME TAXES

The District levies a voted tax of .75% for general operations on the income of residents and of estates. The tax was renewed for a period of five years on January 1, 2008. 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. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 75 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

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

	<u>Coverage</u>
Property	\$20,911,357
Employee Dishonesty Liability	100,000
Automobile Liability	12,000,000
Uninsured Motorists	1,000,000
Medical Payments – per occurrence	5,000
General District Liability	
Total per year	12,000,000

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 8 – RISK MANAGEMENT (Continued)

Settled claims have not exceeded the 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.

Medical Benefits

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington Trust. The District converted its fully-insured medical insurance 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.

B. Workers' Compensation

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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 was \$317,350, \$313,778, and \$318,726, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 stand-alone financial report that may be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$116,309, \$73,206, and \$77,350, respectively; 49 percent has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy – Chapter 3307 of the Ohio revised code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$24,412, \$24,137, and \$24,517, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. School Employees Retirement System

Plan Description - The District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013 this amount was \$20,525. For fiscal year 2013, the District paid \$11,965 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$12,891, \$13,906, and \$20,009, respectively. For fiscal year 2013, 95 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$5,027, \$7,833, and \$4,978, respectively. For fiscal year 2013, 28 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 11 – DEBT

The changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 06/30/12	Additions	Reductions	Principal Outstanding 06/30/13	Amounts Due In One Year
General Obligation Bonds:					
General obligation bonds – 2010	\$2,540,000		\$220,000	\$2,320,000	\$225,000
Capital appreciation bonds - 2010	139,997			139,997	
Total General Obligation Bonds	\$2,679,997		\$220,000	\$2,459,997	\$225,000

2010 Advance Refunding of 2002 Bonds – Interest Rates 3.55 – 4.375%: Proceeds from the outstanding bonds were used for the purpose of advance refunding of general obligation bonds, dated July 1, 2001, which were issued for the purpose of renovating and otherwise improving school facilities. The bonds were issued on May 18, 2010. The bonds consisted of \$2,840,000 in current interest serial bonds and \$139,997, in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Fiscal Year	Principal Amount	Interest Rate
2014	\$225,000	2.250%
2015	230,000	2.500%
2018	250,000	3.375%
2019	250,000	3.500%
2020	255,000	4.000%
2021	260,000	4.000%
2022	275,000	4.000%
2023	285,000	4.000%
2024	290,000	4.000%

The capital appreciation bonds were issued in the aggregate original principal amount of \$139,997 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

Fiscal Year	Original Principal Amount	Accreted Value at Maturity
2016	\$76,352	\$235,000
2017	63,645	240,000

At June 30, 2013, the total amount of these bonds including accretion was \$259,349. The bonds are being retired through the Bond Retirement Debt Service Fund.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 11 – DEBT (Continued)

At June 30, 2013, \$2,459,997 of the refunded bonds were still outstanding.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2013, are as follows:

<u>Year</u> <u>Ended</u>	<u>General Obligation Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$225,000	\$80,069	\$305,069			
2015	230,000	74,663	304,663			
2016		71,788	71,788	\$76,352	\$158,648	\$235,000
2017		71,787	71,787	63,645	176,355	240,000
2018	250,000	67,569	317,569			
2019 - 2023	1,325,000	193,475	1,518,475			
2024	290,000	5,800	295,800			
Total	<u>\$2,320,000</u>	<u>\$565,151</u>	<u>\$2,885,151</u>	<u>\$139,997</u>	<u>\$335,003</u>	<u>\$475,000</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, 2013 are a voted debt margin of \$4,696,921 and an unvoted debt margin of \$77,370.

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 2013 were \$16,000.

Principal and interest requirements to retire lease-purchase commitments outstanding at June 30, 2013, were as follows:

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$17,000	\$8,475	\$25,475
2015	17,000	7,731	24,731
2016	18,000	6,964	24,964
2017	19,000	6,154	25,154
2018	20,000	5,300	25,300
2019 - 2023	111,000	12,505	123,505
Total	<u>\$202,000</u>	<u>\$47,129</u>	<u>\$249,129</u>

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 13 – SET ASIDE CALCULATIONS

State statute annually requires the District to set aside in the General Fund an amount based on a statutory formula to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years.

The following cash basis information describes the change in the fund balance reserves for capital improvements during fiscal year 2013.

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2012	
Current Year Set-aside Requirement	\$91,324
Qualifying Disbursements	(91,324)
Total	

NOTE 14 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

B. Litigation

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), a not-for-profit computer service organization. NOACSC is an association of public districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert, and Wood 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 electronic equipment to administrative and instructional functions among member 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 District. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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. 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.

D. State Support Team Region 1

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The Lucas County Educational Service Center is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at www.sstr1.org.

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

NOTE 16 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted For:				
Athletics			\$27,381	\$27,381
Food Service Operation			18,065	18,065
Facilities Maintenance			201,903	201,903
Debt Retirement		\$395,658		395,658
Capital Improvements			434,757	434,757
Total Restricted		395,658	682,106	1,077,764
Committed for:				
Severance	\$25,574			25,574
Assigned for:				
Educational Activities	21,731			22,930
Unpaid Obligations (encumbrances)	22,890			21,691
Total Assigned	44,621			44,621
Unassigned	2,642,399			2,642,397
Total Fund Balance	<u>\$2,712,594</u>	<u>\$395,658</u>	<u>\$682,106</u>	<u>\$3,790,358</u>

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 Road
Pandora, Ohio 45877-9607

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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 years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 4, 2014

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office shall, other than a state agency, 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 Admin. Code § 117-2-03 (B) which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements for fiscal years 2014 and 2013 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

Officials' Response:

Officials for the District believe since the District operates on a cash basis throughout the year, the cash basis of accounting statements included in this report provide the reader with an accurate depiction of the District's financial activity for the audit period and fairly represent the District's cash basis financial position as of June 30, 2014 and 2013, as well as saving the District thousands of dollars in costs of preparation and audit fees by not presenting statements on GAAP basis.

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

**SCHEDULE OF FINDINGS
JUNE 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not preparing the annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as Finding 2014-001 in this report.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Pandora-Gilboa Local School District, Putnam County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on December 16, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 4, 2014

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PANDORA- GILBOA LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**