



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

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

**PANDORA-LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Pandora-Gilboa Local School District, Putnam County, (the District) as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

During fiscal year 2007, the District changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits for entities not required to report in accordance with accounting principles generally accepted in the United States of America.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the years ended June 30, 2008 and 2007, in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

January 15, 20009

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Property tax and other local taxes	\$2,269,179	\$25,152	\$305,618	\$2,599,949
Intergovernmental	3,027,801	196,537	39,684	3,264,022
Tuition	210,317			210,317
Earnings on investments	81,265			94,647
Extracurricular Activities		90,133		90,133
Classroom Materials and Fees	34,185			34,185
Donations		10,000		10,000
Miscellaneous	9,186	9,831		19,017
Total cash receipts	5,631,933	331,653	345,302	6,322,270
Cash disbursements:				
Instruction:				
Regular	2,488,664	166,866		2,655,530
Special	410,390	1,368		411,758
Vocational Education	67,493			67,493
Other Instruction	10,471			10,471
Supporting Services:				
Pupils	78,689	6,546		85,235
Instructional Staff	214,520	9,750		224,270
Board of Education	16,904			16,904
Administration	465,999	24,990		490,989
Fiscal Services	159,184	5,193	9,499	173,876
Operation and Maintenance of Plant	520,607	9,009		529,616
Pupil Transportation	351,035	1,830		352,865
Central	11,538			11,538
Non-Instructional Services	3,443			3,443
Extracurricular Activities	163,717	90,224		253,941
Facilities Acquisition and Construction	30			104,485
Debt Service:				
Principal Retirement			161,000	161,000
Interest and Fiscal Charges			172,132	172,132
Total cash disbursements	4,962,684	315,776	342,631	5,725,576
Total cash receipts over/(under) cash disbursements	669,249	15,877	2,671	(91,103)
Other financing receipts/disbursements:				
Transfers-In		15,000		65,000
Transfers-Out	(65,000)			(65,000)
Advances-In	1,381			1,381
Advances-Out		(1,381)		(1,381)
Sale of Assets	7,000			7,000
Total other financing receipts/(disbursements)	(56,619)	13,619		50,000
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	612,630	29,496	2,671	(41,103)
Fund cash balances, July 1	1,052,794	230,190	162,121	1,979,339
Fund cash balances, June 30	\$1,665,424	\$259,686	\$164,792	\$2,583,033
Reserves for encumbrances, June 30	\$161,704	\$18,067		\$179,771

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

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

	Proprietary	Fiduciary		Totals (Memorandum Only)
	Fund Type	Fund Types		
	Enterprise	Private Purpose Trust	Agency	
Operating cash receipts:				
Food Services	\$199,556			\$199,556
Extracurricular Activities			\$67,525	67,525
Total operating cash receipts	<u>199,556</u>		<u>67,525</u>	<u>267,081</u>
Operating cash disbursements:				
Personal Services	73,207			73,207
Employees Retirement and Insurance	71,707			71,707
Purchased Services	3,055		22,899	25,954
Supplies and Materials	113,171		42,101	155,272
Capital Outlay	1,130			1,130
Other Operating Expenses	183	\$350	566	1,099
Total operating cash disbursements	<u>262,453</u>	<u>350</u>	<u>65,566</u>	<u>328,369</u>
Operating income (loss)	<u>(62,897)</u>	<u>(350)</u>	<u>1,959</u>	<u>(61,288)</u>
Non-operating cash receipts:				
Intergovernmental receipts	57,010			57,010
Earnings on Investments	98	204		302
Miscellaneous			2,617	2,617
Total non-operating cash receipts	<u>57,108</u>	<u>204</u>	<u>2,617</u>	<u>59,929</u>
Net cash receipts over/(under) cash disbursements	(5,789)	(146)	4,576	(1,359)
Fund cash balances, July 1	<u>23,613</u>	<u>5,372</u>	<u>23,009</u>	<u>51,994</u>
Fund cash balances, June 30	<u>\$17,824</u>	<u>\$5,226</u>	<u>\$27,585</u>	<u>\$50,635</u>
Reserve for encumbrances, June 30	<u>\$980</u>		<u>\$6,304</u>	<u>\$7,284</u>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$1,805,880	\$25,827	\$316,169		\$2,147,876
Intergovernmental	2,955,509	231,952	35,254		3,222,715
Tuition	183,379				183,379
Earnings on investments	91,356			\$23,258	114,614
Transportation Fees	15,525				15,525
Extracurricular Activities		85,199			85,199
Classroom Materials and Fees	41,327				41,327
Donations		10,000			10,000
Miscellaneous	6,190	10,192			16,382
Total cash receipts	5,099,166	363,170	351,423	23,258	5,837,017
Cash disbursements:					
Instruction:					
Regular	2,469,610	155,674			2,625,284
Special	251,708	64,946			316,654
Vocational Education	82,218				82,218
Adult/Continuing	317				317
Supporting Services:					
Pupils	64,684	3,176			67,860
Instructional Staff	223,759	24,302			248,061
Board of Education	19,930				19,930
Administration	471,338	28,437			499,775
Fiscal Services	185,488	661	8,008		194,157
Operation and Maintenance of Plant	511,131	26,679			537,810
Pupil Transportation	328,629	2,287			330,916
Central	11,098				11,098
Non-Instructional Services	1,541				1,541
Extracurricular Activities	165,273	77,814			243,087
Facilities Acquisition and Construction				2,010	2,010
Debt Service:					
Principal Retirement			155,000		155,000
Interest and Fiscal Charges			178,471		178,471
Total cash disbursements	4,786,724	383,976	341,479	2,010	5,514,189
Total cash receipts over/(under) cash disbursements	312,442	(20,806)	9,944	21,248	322,828
Other financing receipts/disbursements:					
Transfers-In	3,600	37,081		50,000	90,681
Transfers-Out	(86,000)	(4,681)			(90,681)
Advances-In	52,422	40,775			93,197
Advances-Out	(40,775)	(52,422)			(93,197)
Refund of Prior Year Receipts	(425)				(425)
Refund of Prior Year Expenditures	10,120				10,120
Total other financing receipts/(disbursements)	(61,058)	20,753		50,000	9,695
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	251,384	(53)	9,944	71,248	332,523
Fund cash balances, July 1	801,410	230,243	152,177	462,986	1,646,816
Fund cash balances, June 30	\$1,052,794	\$230,190	\$162,121	\$534,234	\$1,979,339
Reserves for encumbrances, June 30	\$185,529	\$7,064		\$85,885	\$278,478

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

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	Proprietary	Fiduciary		Totals
	Fund Type	Fund Types		(Memorandum Only)
	Enterprise	Private Purpose Trust	Agency	
Operating cash receipts:				
Food Services	\$184,227			\$184,227
Extracurricular Activities			\$64,413	64,413
Total operating cash receipts	184,227		64,413	248,640
Operating cash disbursements:				
Personal Services	69,682			69,682
Employees Retirement and Insurance	70,835			70,835
Purchased Services	2,528		22,302	24,830
Supplies and Materials	99,521		43,456	142,977
Capital Outlay	398		6,868	7,266
Other Operating Expenses	180		355	535
Total operating cash disbursements	243,144		72,981	316,125
Operating loss	(58,917)		(8,568)	(67,485)
Non-operating cash receipts:				
Intergovernmental receipts	57,183			57,183
Earnings on Investments	128	\$322		450
Miscellaneous			3,037	3,037
Refund of Prior Year Expenditures			144	144
Total non-operating cash receipts	57,311	322	3,181	60,814
Net cash receipts over/(under) cash disbursements	(1,606)	322	(5,387)	(6,671)
Fund cash balances, July 1	25,219	5,050	28,396	58,665
Fund cash balances, June 30	\$23,613	\$5,372	\$23,009	\$51,994
Reserve for encumbrances, June 30	\$27		\$5,620	\$5,647

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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 19 non-certified and 47 certified teaching personnel, and 6 administrative employees to provide services to approximately 590 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

A. The Reporting Entity

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

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

The District participates in four jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 8 and 15 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

Public Entity Risk Pools:

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

B. Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

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

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

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

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

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

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

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

Enterprise Funds – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency and private purpose trust funds.

C. Basis of Accounting

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.

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 certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

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 included in cash balances by fund type.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

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

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.

During fiscal year 2008 and 2007, the District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2(a)7 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, 2008 and 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 was \$81,265, which included \$32,848 assigned from other District funds, and during fiscal year 2007 was \$91,356 which included \$44,642 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets in the accompanying financial statements.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

The District's cash basis does 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 capital outlay expenditure is reported at inception.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

NOTE 3 – COMPLIANCE

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

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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;
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 only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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 June 30, 2008, \$1,015,555 of the District's bank balance of \$1,298,926 and at June 30, 2007, \$977,964 of the District's bank balance of \$1,631,612 was exposed to custodial credit risk because those deposits were 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, 2008 and 2007, the District had investments with STAR Ohio with a carrying balance of \$1,459,357 and \$594,349, respectively.

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 one nationally recognized standard rating service.

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2008 and June 30, 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,569,971	\$5,638,933	\$68,962
Special Revenue	368,403	346,653	(21,750)
Debt Service	341,982	345,302	3,320
Capital Projects	62,507	63,382	875
Enterprise	249,000	256,664	7,664
Fiduciary	5,200	70,346	65,146
Total	<u>\$6,597,063</u>	<u>\$6,721,280</u>	<u>\$124,217</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 5 – BUDGETARY ACTIVITY – (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,426,086	\$5,189,388	\$236,698
Special Revenue	360,809	333,843	26,966
Debt Service	342,990	342,631	359
Capital Projects	104,485	104,485	
Enterprise	262,935	263,433	(498)
Fiduciary	400	72,220	(71,820)
Total	<u>\$6,497,705</u>	<u>\$6,306,000</u>	<u>\$191,705</u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,154,746	\$5,112,886	(\$41,860)
Special Revenue	446,695	400,251	(46,444)
Debt Service	330,000	351,423	21,423
Capital Projects	16,377	73,258	56,881
Enterprise	243,170	241,538	(1,632)
Fiduciary	400	67,916	67,516
Total	<u>\$6,191,388</u>	<u>\$6,247,272</u>	<u>\$55,884</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,151,344	\$5,058,678	\$92,666
Special Revenue	506,120	395,721	110,399
Debt Service	341,846	341,479	367
Capital Projects	479,363	87,895	391,468
Enterprise	244,511	243,171	1,340
Fiduciary	400	78,601	(78,201)
Total	<u>\$6,723,584</u>	<u>\$6,205,545</u>	<u>\$518,039</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.

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

**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)**

NOTE 6 – PROPERTY TAXES – (CONTINUED)

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 years 2008 and 2007 represent the collection of calendar years 2007 and 2006 taxes. Real property taxes received in calendar years 2008 and 2007 were levied after April 1, 2007 and 2006, on the assessed values as of January 1, 2007 and 2006, 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 2008 and 2007 represent the collection of calendar years 2007 and 2006 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2008 and 2007 became a lien on December 31, 2006 and 2005, respectively, were levied after April 1, 2007 and 2006, 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.

Tangible personal property tax receipts received in calendar years 2008 and 2007 (other than public utility property) represent the collection of calendar years 2008 and 2007 taxes, respectively. Tangible personal property taxes received in calendar years 2008 and 2007 were levied after April 1, 2007 and 2006, respectively, on the value as of December 31, 2007 and 2006, respectively. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2008 and 2007 are available to finance fiscal years 2008 and 2007 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 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$49,159,890	85.37%	\$50,302,200	88.44%
Industrial/Commercial	3,208,920	5.57%	3,235,580	5.69%
Public Utility Property	1,895,320	3.29%	1,557,220	2.74%
Tangible Personal Property	3,322,750	5.77%	1,782,540	3.13%
Total Assessed Value	<u>\$57,586,880</u>	<u>100%</u>	<u>\$56,877,540</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$42.80		\$42.80	

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 6 – PROPERTY TAXES – (CONTINUED)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$48,146,080	84.85%	\$49,159,890	85.37%
Industrial/Commercial	3,127,980	5.51%	3,208,920	5.57%
Public Utility Property	1,940,660	3.42%	1,895,320	3.29%
Tangible Personal Property	3,531,244	6.22%	3,322,750	5.77%
Total Assessed Value	<u>\$56,745,964</u>	<u>100%</u>	<u>\$57,586,880</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$42.95		\$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.

In May 2006, the voters approved an additional 1% income tax for general operations. The levy is effective January 1, 2007, and expires on December 31, 2012.

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:

- General liability
- Commercial liability
- Employee Benefits Liability
- School Leaders Errors and Omissions
- Theft, Forgery, Employee Dishonesty
- Vehicle.

The District contributes to the funding, operating and maintaining of the SORSA joint self insurance pool. The District's contributions cover deductible losses, loss fund contribution, insurance costs, and administration cost.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 8 – RISK MANAGEMENT – (CONTINUED)

The District paid \$36,311 in premiums to the pool for fiscal year 2008 coverage and the District paid \$35,951 in premiums to the pool for fiscal year 2007 coverage.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street
Columbus, Ohio 43235

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 Bank. 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

For fiscal years 2008 and 2007 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The District participates in 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, 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 YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$273,708, \$264,050, and \$260,092 respectively; 83.63 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$56,372, \$59,017 and \$57,938 respectively; 43.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated 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 the System 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 SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each 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 2008, 4.18 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 2008 and 2007, this amount was \$35,800.

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 contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$35,002, \$28,579, and \$27,275 respectively; 58.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$4,062, \$4,013, and \$4,271 respectively; 58.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)**

NOTE 10 – POSTEMPLOYMENT BENEFITS – (CONTINUED)

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health 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 the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$21,054, \$20,312, and \$20,007 respectively; 83.63 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 11 – DEBT

The changes in the District’s long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Reductions	Principal Outstanding 6/30/07	Amounts Due in One Year
<u>General Obligation Bonds:</u>				
General obligation bonds	\$3,450,000	\$150,000	\$3,300,000	\$155,000
Capital appreciation bonds	116,000		116,000	
Total General Obligation Bonds	<u>\$3,566,000</u>	<u>\$150,000</u>	<u>\$3,416,000</u>	<u>\$155,000</u>

The changes in the District’s long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Reductions	Principal Outstanding 6/30/08	Amounts Due in One Year
<u>General Obligation Bonds:</u>				
General obligation bonds	\$3,300,000	\$155,000	\$3,145,000	\$160,000
Capital appreciation bonds	116,000		116,000	
Total General Obligation Bonds	<u>\$3,416,000</u>	<u>\$155,000</u>	<u>\$3,261,000</u>	<u>\$160,000</u>

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

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

NOTE 11 – DEBT – (CONTINUED)

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

<u>Redemption Date</u>	<u>Redemption Price</u>
December 1, 2011 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1, and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2008 are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds – 1999 Issue</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$160,000	\$154,563	\$314,563			
2010		151,263	151,263	\$61,411	\$103,589	\$165,000
2011		151,263	151,263	54,589	110,411	165,000
2012	165,000	147,138	312,138			
2013	175,000	138,638	313,638			
2014-2018	1,035,000	547,688	1,582,688			
2019-2022	1,610,000	259,325	1,869,325			
Total	<u>\$3,145,000</u>	<u>\$1,549,876</u>	<u>\$4,694,876</u>	<u>\$116,000</u>	<u>\$214,000</u>	<u>\$330,000</u>

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

The effects of these debt limitations at June 30, 2008 are a voted debt margin of \$2,022,771 and an unvoted debt margin of \$56,878.

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 2008 and 2007 were \$6,000 and \$5,000 respectively.

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

NOTE 12 – LEASES – (CONTINUED)

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

Year	Principal	Interest	Total
2009	\$7,000	10,884	17,884
2010	8,000	10,556	18,556
2011	9,000	10,184	19,184
2012	10,000	9,767	19,767
2013	16,000	9,198	25,198
2014-2018	91,000	34,624	125,624
2019-2023	111,000	12,505	123,505
Total	<u>\$252,000</u>	<u>\$97,718</u>	<u>\$349,718</u>

NOTE 13 – SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	\$20,151	
Current Year Set Aside Requirement	90,910	\$90,910
Current Year Offsets		(25,865)
Qualifying Cash Disbursements	(181,624)	(65,045)
Set Aside Reserve Balance June 30, 2007	<u>(\$70,563)</u>	<u></u>

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	(\$70,563)	
Current Year Set Aside Requirement	94,027	\$94,027
Current Year Offsets		(25,152)
Qualifying Cash Disbursements	(101,747)	(68,875)
Set Aside Reserve Balance June 30, 2008	<u>(\$78,283)</u>	<u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007
(Continued)**

NOTE 13 – SET ASIDE REQUIREMENTS – (CONTINUED)

The District had qualifying cash disbursements during the fiscal year that reduced the textbooks and capital improvements set aside amount below zero. The textbook amount may be used to reduce the set aside requirement in future fiscal years.

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, 2008 and 2007.

B. Litigation

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. 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.

B. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

C. West Central Regional Professional Development Center

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

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

D. 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 representatives 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.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of Pandora-Gilboa Local School District, Putnam County, (the District) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated January 15, 2009, wherein we issued an adverse opinion on the District's financial statements because the District began preparing its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the District's management in a separate letter dated January 15, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 15, 2009.

The District's responses to the findings we identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 15, 2009

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

**SCHEDULE OF FINDINGS
JUNE 30, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Finding

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

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

We recommend the District prepare its financial statements 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, 2008, as well as saving the district thousands of dollars that presenting statements on GAAP basis costs in preparation and audit fees.

FINDING NUMBER 2008-002

Material Weakness

Monitoring Financial Statements

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The fiscal year 2008 and 2007 financial statements contained material errors, such as the following:

- The Young Entrepreneur's Club Fund 200-9997 was posted as a Special Revenue Fund when it should have been reported as an Agency Fund,
- Intrafund transfers in the General Fund of \$1,081 were not eliminated for fiscal year 2007.
- Unapproved advances in the amount of \$1,521 were recorded.
- Special Revenue intergovernmental monies were recorded in the General Fund in the amount of \$14,455 in 2007, and then corrected in subsequent year overstating revenue in the Special Revenue Fund.

**FINDING NUMBER 2008-002
(Continued)**

Twenty one adjusting entries ranging in amounts from \$88 to \$333,471 were posted to the financial statements to correct these and other errors. The financial statements presented have been adjusted to reflect these corrections.

To ensure the District's financial statements and notes to the statements are complete and accurate, we recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform School Accounting System issued by the Auditor of State. Furthermore, the Board should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions.

Officials' Response

The four bulleted items pertaining to Fiscal Year 2007 were recognized by the previous Treasurer of the District and were noted as entry errors that were subsequently corrected. The twenty-one adjusting entries from both fiscal years are noted, but Officials of the District use the Ohio Department of Education supplied Uniform School Accounting System software, or USAS for short. Officials of the District believe these entries are recorded properly under USAS guidelines and understand the adjustment to conform to Auditor of State guidelines for financial statements that pertain to all public entities, not just school districts. The two adjustments of \$333,132 in Fiscal Year 2008 and \$333,471 in Fiscal Year 2007 represent the District's principal and interest payments on debt related to the construction of the District's building in 2003 and are properly reported under the guidelines of USAS. None of the other adjustments total more than the previously bulleted item of \$14,455. Officials of the District will continue to work toward properly coding all entries as required by the Ohio Department of Education through USAS and will continue to do our best to conform to auditing standards for financial statement presentation.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code §117.38 reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2008-001.



Mary Taylor, CPA
Auditor of State

PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2009