



Dave Yost • Auditor of State

**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
JUNE 30, 2016 AND 2015**

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**PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
JUNE 30, 2016 AND 2015**

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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 cash-basis 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, 2016 and 2015, 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 2C 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, 2016 and 2015, 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 2C.

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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, 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 May 22, 2017, 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.



Dave Yost
Auditor of State

Columbus, Ohio

May 22, 2017

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
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, 2016. 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 2016 are as follows:

In total, net position increased \$1,070,090.

General revenues accounted for \$7,371,572, or 88 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, accounted for \$1,036,243, or 12 percent of total revenues of \$8,407,815.

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

The General Fund had \$7,287,804 in receipts and other financing sources and \$6,460,352 in disbursements and other financing uses. The General Fund's balance increased \$827,452 from the prior fiscal year.

The Bond Retirement Fund had \$445,375 in receipts and \$341,732 in disbursements. The Bond Retirement Fund's balance increased \$103,643 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 2015 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, 2016
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 2016 compared to fiscal year 2015.

Table 1		
Net Position		
Governmental Activities		
	2016	2015
<u>Assets:</u>		
Current and Other Assets	\$5,934,509	\$4,864,419
<u>Net Position:</u>		
Restricted for Debt Service	\$615,052	\$511,409
Restricted for Capital Outlay	555,540	455,297
Restricted for Other Purposes	245,670	206,918
Unrestricted	4,518,247	3,690,795
Total	\$5,934,509	\$4,864,419

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
Unaudited
(Continued)**

As mentioned previously, net position of governmental activities increased \$1,070,090 or 22 percent during fiscal year 2016. The primary reason contributing to the increase in cash balance was the General Fund realized an increase in revenues during 2016. The larger increases were in property and other local taxes, and intergovernmental.

Table 2 reflects the changes in net position for 2016 compared to fiscal year 2015.

Table 2 Change in Net Position Governmental Activities		
	2016	2015
<u>Receipts:</u>		
Program Revenues:		
Charges for Services and Sales	\$625,061	\$595,515
Operating Grants, Contributions and Interest	411,182	373,736
Total Program Revenues	1,036,243	969,251
General Revenues:		
Property Taxes	2,390,243	2,149,760
Income Taxes	1,447,081	1,385,674
Grants and Entitlements	3,499,296	3,121,195
Gifts and Donations	4,401	7,753
Investment Earnings	22,411	10,431
Miscellaneous	3,040	752
Refund of Prior Year Disbursements	5,100	18,721
Total General Revenues	7,371,572	6,694,286
Total Revenues	8,407,815	7,663,537
<u>Disbursements:</u>		
Instruction	3,948,595	3,707,189
Support Services:		
Pupils	177,574	147,117
Instructional Staff	297,058	188,010
Board of Education	16,150	16,240
Administration	636,529	623,722
Fiscal	206,105	209,267
Operation and Maintenance of Plant	595,447	660,259
Pupil Transportation	526,874	391,674
Central	16,945	22,307
Non-Instructional	251,688	254,631
Extracurricular Activities	318,284	292,611
Capital Outlay	14,724	173,079
Principal	253,000	247,000
Interest and Fiscal Charges	78,752	82,394
Total Disbursements	7,337,725	7,015,500
Increase in Net Position	1,070,090	648,037
Net Position Beginning of Year	4,864,419	4,216,382
Net Position End of Year	\$5,934,509	\$4,864,419

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
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 (32 percent property and 20 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 14 percent of governmental disbursements. Maintenance of the District's facilities represents a significant disbursement of 8 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 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**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Instruction	\$3,948,595	\$3,338,163	\$3,707,189	\$3,122,200
Support Services:				
Pupils	177,574	177,574	147,117	147,117
Instructional Staff	297,058	291,658	188,010	182,610
Board of Education	16,150	16,150	16,240	16,240
Administration	636,529	636,529	623,722	623,722
Fiscal	206,105	206,105	209,267	209,267
Operation and Maintenance of Plant	595,447	580,992	660,259	642,295
Pupil Transportation	526,874	526,874	391,674	391,674
Central	16,945	16,945	22,307	22,307
Non-Instructional	251,688	(4,584)	254,631	14,700
Extracurricular Activities	318,284	168,600	292,611	171,644
Capital Outlay	14,724	14,724	173,079	173,079
Principal	253,000	253,000	247,000	247,000
Interest and Fiscal Charges	78,752	78,752	82,394	82,394
Total Expenses	<u>\$7,337,725</u>	<u>\$6,301,482</u>	<u>\$7,015,500</u>	<u>\$6,046,249</u>

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
Unaudited
(Continued)**

The dependence upon tax revenues, income tax revenues, and unrestricted state entitlements for governmental activities is apparent. Over 84 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 86 percent. The remaining 14 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 \$8,507,815 and disbursements and other financing uses of \$7,437,725. The District's major governmental funds are the General Fund and the Bond Retirement Fund. The net positive change of \$1,070,090 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 2016, 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 \$515,696. The final estimated resources were the same as the original estimated resources.

Final disbursements and other financing uses were budgeted at \$6,851,083 while actual disbursements were \$6,527,540. The \$323,543 difference between budgeted disbursements and actual disbursements was a result of lower than anticipated overall expenditures that did not take place.

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, 2016, the District had \$2,081,828 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 having to expend monies as failures in the state's OSFC office overseeing the construction of this school has revealed many contractor flaws. All new roadways to the school are needed as some areas of blacktop are less than an inch thick. Also the camera system that never worked when needed needs completely redone. The effect on District finances of the new College Credit Plus program is still unknown as more students are signing up in the second year as opposed to just a few in the first. 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. 58 percent of District revenue sources are from local funds, 42 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, 2016
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, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,934,509</u>
Net Position:	
Restricted for Debt Service	\$615,052
Restricted for Capital Outlay	555,540
Restricted for Other Purposes	245,670
Unrestricted	<u>4,518,247</u>
<i>Total Net Position</i>	<u>\$5,934,509</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, 2016**

		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	\$3,211,633	\$307,816	\$147,537	(\$2,756,280)
Special	614,042	17,673	102,612	(493,757)
Vocational	122,920		34,794	(88,126)
Support Services:				
Pupils	177,574			(177,574)
Instructional Staff	297,058		5,400	(291,658)
Board of Education	16,150			(16,150)
Administration	636,529			(636,529)
Fiscal	206,105			(206,105)
Operation and Maintenance of Plant	595,447		14,455	(580,992)
Pupil Transportation	526,874			(526,874)
Central	16,945			(16,945)
Operation of Non-Instructional Services	251,688	179,484	76,788	4,584
Extracurricular Activities	318,284	120,088	29,596	(168,600)
Capital Outlay	14,724			(14,724)
Debt Service:				
Principal	253,000			(253,000)
Interest and Fiscal Charges	78,752			(78,752)
Totals	\$7,337,725	\$625,061	\$411,182	(6,301,482)
General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,966,448
Property Taxes, Levied for Debt Service				397,542
Property Taxes, Levied for Classroom Facilities				26,253
Income Taxes				1,447,081
Grants and Entitlements not Restricted to Specific Programs				3,499,296
Gifts and Donations				4,401
Investment Earnings				22,411
Miscellaneous				3,040
Refund of Prior Year Disbursements				5,100
Total General Receipts				7,371,572
Change in Net Position				1,070,090
Net Position Beginning of Year				4,864,419
Net Position End of Year				\$5,934,509

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<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>\$4,518,247</u>	<u>\$615,052</u>	<u>\$801,210</u>	<u>\$5,934,509</u>
Fund Balances				
Restricted		\$615,052	\$801,210	\$1,416,262
Committed	\$78,679			78,679
Assigned	76,327			76,327
Unassigned	<u>4,363,241</u>			<u>4,363,241</u>
Total Fund Balances	<u>\$4,518,247</u>	<u>\$615,052</u>	<u>\$801,210</u>	<u>\$5,934,509</u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<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	\$1,966,448	\$397,542	\$26,253	\$2,390,243
Income Tax	1,447,081			1,447,081
Intergovernmental	3,483,087	47,833	349,956	3,880,876
Interest	22,168		249	22,417
Tuition and Fees	325,414			325,414
Rent	75			75
Extracurricular Activities	30,990		89,098	120,088
Gifts and Donations	4,401		26,922	31,323
Customer Sales and Services			179,484	179,484
Miscellaneous	3,040		2,674	5,714
Total Receipts	<u>7,282,704</u>	<u>445,375</u>	<u>674,636</u>	<u>8,402,715</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,043,515		168,118	3,211,633
Special	511,429		102,613	614,042
Vocational	122,920			122,920
Support Services:				
Pupils	177,574			177,574
Instructional Staff	291,658		5,400	297,058
Board of Education	16,150			16,150
Administration	636,529			636,529
Fiscal	195,443	9,980	682	206,105
Operation and Maintenance of Plant	589,289		6,158	595,447
Pupil Transportation	526,874			526,874
Central	16,945			16,945
Operation of Non-Instructional Services	2,369		249,319	251,688
Extracurricular Activities	214,933		103,351	318,284
Capital Outlay	14,724			14,724
Debt Service:				
Principal		253,000		253,000
Interest		78,752		78,752
Total Disbursements	<u>6,360,352</u>	<u>341,732</u>	<u>635,641</u>	<u>7,337,725</u>
Excess of Receipts Over Disbursements	<u>922,352</u>	<u>103,643</u>	<u>38,995</u>	<u>1,064,990</u>
Other Financing Sources and (Uses):				
Transfers In			100,000	100,000
Refund of Prior Year Disbursements	5,100			5,100
Transfers Out	(100,000)			(100,000)
Total Other Financing Sources and (Uses)	<u>(94,900)</u>		<u>100,000</u>	<u>5,100</u>
<i>Net Change in Fund Balances</i>	827,452	103,643	138,995	1,070,090
Fund Balance at Beginning of Year	3,690,795	511,409	662,215	4,864,419
<i>Fund Balance at End of Year</i>	<u>\$4,518,247</u>	<u>\$615,052</u>	<u>\$801,210</u>	<u>\$5,934,509</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$1,666,448	\$1,686,607	\$1,966,448	\$279,841
Income Tax	1,247,081	1,247,240	1,447,081	199,841
Intergovernmental	3,486,847	3,467,293	3,483,087	15,794
Interest	20,500	20,500	22,168	1,668
Tuition and Fees	306,537	306,537	325,414	18,877
Rent	100	100	75	(25)
Gifts and Donations	3,925	3,925	3,905	(20)
Miscellaneous	1,900	1,900	1,620	(280)
Total Receipts	<u>6,733,338</u>	<u>6,734,102</u>	<u>7,249,798</u>	<u>515,696</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,502,579	3,212,579	3,037,459	175,120
Special	407,111	555,847	511,529	44,318
Vocational	125,682	125,682	123,211	2,471
Support Services:				
Pupils	188,377	188,377	177,525	10,852
Instructional Staff	303,318	303,318	293,046	10,272
Board of Education	17,079	17,079	16,150	929
Administration	568,598	638,598	606,635	31,963
Fiscal	202,338	212,338	195,443	16,895
Operation and Maintenance of Plant	548,681	628,681	614,033	14,648
Pupil Transportation	500,109	539,109	528,163	10,946
Central	18,591	18,591	16,945	1,646
Operation of Non-Instructional Services	2,415	3,615	3,469	146
Extracurricular Activities	207,394	217,394	214,933	2,461
Capital Outlay	29,875	39,875	38,999	876
Total Disbursements	<u>5,622,147</u>	<u>6,701,083</u>	<u>6,377,540</u>	<u>323,543</u>
Excess of Receipts Over Disbursements	<u>1,111,191</u>	<u>33,019</u>	<u>872,258</u>	<u>839,239</u>
Other Financing Sources and (Uses):				
Refund of Prior Year Disbursements	5,100	5,100	5,100	
Transfers Out	(150,000)	(150,000)	(150,000)	
Total Other Financing Sources and (Uses)	<u>(144,900)</u>	<u>(144,900)</u>	<u>(144,900)</u>	
Net Change in Fund Balances	966,291	(111,881)	727,358	839,239
Fund Balance at Beginning of Year	3,627,031	3,627,031	3,627,031	
Prior Year Encumbrances Appropriated	49,064	49,064	49,064	
Fund Balance at End of Year	<u>\$4,642,386</u>	<u>\$3,564,214</u>	<u>\$4,403,453</u>	<u>\$839,239</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, 2016**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$164,554</u>	<u>\$39,701</u>
Net Position:		
Held in Trust for Scholarships	\$164,554	
Undistributed Monies		\$128
Held for Student Activities		<u>39,573</u>
Total Net Position	<u>\$164,554</u>	<u>\$39,701</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, 2016**

	<u>Private Purpose Trust</u>
Additions:	
Interest	<u>\$176</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>6,000</u>
<i>Change in Net Position</i>	(5,824)
Net Position Beginning of Year	<u>170,378</u>
<i>Net Position End of Year</i>	<u><u>\$164,554</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 5 administrative employees to provide services to approximately 562 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, 2016
(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.

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,

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

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.

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.

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 level 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

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.

During fiscal year 2016, the District invested in negotiable certificates of deposits and the State Treasury Asset Reserve of Ohio (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 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, 2016.

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 2016 amounted to \$22,168, and \$6,429 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 Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

The statements report interfund loans as advances when made or repaid. There was one unpaid advance as of June 30, 2016.

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. Pension

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 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 positions 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

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.

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 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a 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.

B. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Statement No. 79 did not have an effect on the financial statements of the District.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. 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 notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that 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) of this section 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); 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 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 YEAR ENDED JUNE 30, 2016
(Continued)**

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

- A. Undeposited Cash:** At year end, the District had \$2,500 in undeposited cash on hand, included on the financial statements as part of equity in pooled cash and cash equivalents.
- B. Deposits with Financial Institutions:** At June 30, 2016, the carrying amount of all District deposits was \$2,072,076. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$1,394,290 of the District's bank balance of \$2,156,427 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.

C. Investments

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Carrying Value</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>		
			<u>6 months or less</u>	<u>7 to 12 months</u>	<u>19 to 24 months</u>
Negotiable CD's	\$ 2,237,000	\$ 2,237,000	\$ 996,000	\$ 496,000	\$ 745,000
STAR Ohio	1,827,188	1,827,188	1,827,188	-	-
Total	<u>\$ 4,064,188</u>	<u>\$ 4,064,188</u>	<u>\$ 2,823,188</u>	<u>\$ 496,000</u>	<u>\$ 745,000</u>

The weighted average maturity of investments is 1.53 years.

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

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer other than for commercial paper and banker's acceptances. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 2,237,000	\$ 2,237,000	0.55
STAR Ohio	<u>1,827,188</u>	<u>1,827,188</u>	<u>0.45</u>
Total	<u>\$ 4,064,188</u>	<u>\$ 4,064,188</u>	<u>1.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

Cash and investments per note

Carrying amount of deposits	\$ 2,072,076
Cash on hand	2,500
Investments	<u>4,064,188</u>
Total	<u>\$ 6,138,764</u>

Cash and investments per financial statements

Governmental activities	\$ 5,934,509
Private-purpose trust funds	164,554
Agency funds	<u>39,701</u>
Total	<u>\$ 6,138,764</u>

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 \$69,563 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) is 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:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Net Change in Fund Cash Balance

	General Fund
Cash Basis (as Reported)	\$827,452
Funds Budgeted Elsewhere	(30,531)
Outstanding Encumbrances	(69,563)
Budget Basis (as Reported)	\$727,358

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 2016 represent the collection of calendar years 2015 taxes. Real property taxes received in calendar years 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar years 2015 taxes. Public utility real and tangible personal property taxes received in calendar years 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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.

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, 2016 are available to finance fiscal years 2016 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 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$100,427,700	94.58%	\$101,473,710	94.14%
Industrial/Commercial	3,692,730	3.48%	3,504,060	3.25%
Public Utility Property	2,057,580	1.94%	2,810,070	2.61%
Total Assessed Value	\$106,178,010	100.00%	\$107,787,840	100.00%
Tax rate per \$1,000 of assessed valuation	\$41.15		\$40.75	

NOTE 7 – INCOME TAXES

The District levies voted taxes of .75% and 1% for general operations on the income of residents and of estates. The .75% tax was renewed for a period of five years beginning on January 1, 2014, and the 1% tax was renewed for a period of 5 years beginning on January 1, 2012. 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

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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	\$22,391,116
Employee Dishonesty Liability	100,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000
Medical Payments – per occurrence	25,000
General District Liability	
Total per year	15,000,000

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.

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.

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NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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, 2016, the allocation to pension, death benefits, and Medicare B was 14.0 percent. The remaining 0.0 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$107,263 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2016, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2014, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2016, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 11% of the 12% member rate goes to the DC Plan and 1% goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer

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allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2014, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$336,064 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,492,293	\$6,093,776	\$7,586,069
Proportion of the Net Pension Liability	2.615260%	2.2049280%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

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	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$2,069,274	\$1,492,293	\$1,006,427

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years; one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50%.

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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease █ (6.75%)	Current █ Discount Rate (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$8,464,715	\$6,093,776	\$4,088,794

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.

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 2016, STRS Ohio did not allocate any employer contributions to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was \$0, \$0, and \$24,166, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

B. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was \$19,653, \$18,372, \$12,891 respectively. 100% percent has been contributed for fiscal years 2016, 2015, and 2014.

NOTE 11 – DEBT

The changes in the District's long-term obligations during fiscal year 2016 were as follows:

	<u>Principal Outstanding 06/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 06/30/2016</u>	<u>Amounts Due In One Year</u>
General Obligation Bonds:					
General obligation bonds – 2010	\$1,865,000			\$1,865,000	
Capital appreciation bonds - 2010	139,997		\$76,352	63,645	\$63,645
Accretion of Interest	249,292	\$62,539	158,648	153,183	176,355
Total General Obligation Bonds	<u>\$2,254,289</u>	<u>\$62,539</u>	<u>\$235,000</u>	<u>\$2,081,828</u>	<u>\$240,000</u>

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:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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%

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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
2017	\$63,645	\$240,000

At June 30, 2016, the total amount of these bonds including accretion was \$389,288. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2016, \$1,928,645 of the refunded bonds were still outstanding.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2016, are as follows:

<u>Year Ended</u>	General Obligation Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	255,000	49,500	304,500			
2021	260,000	39,200	299,200			
2022 - 2024	850,000	51,600	901,600			
Total	\$1,865,000	\$338,631	\$2,203,631	\$63,645	\$176,355	\$240,000

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, 2016 are a voted debt margin of \$8,387,312 and an unvoted debt margin of \$107,788.

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 2016 were \$18,000.

Principal and interest requirements to retire lease-purchase commitments outstanding at June 30, 2016, were as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2017	\$19,000	\$6,154	\$25,154
2018	20,000	5,300	25,300
2019	21,000	4,402	25,402
2020	21,000	3,482	24,482
2021	22,000	2,540	24,540
2022 - 2023	47,000	2,081	49,081
Total	\$150,000	\$23,959	\$173,959

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PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 2016.

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2015	
Current Year Set-aside Requirement	\$94,317
Qualifying Disbursements	<u>(\$94,317)</u>
Total	<u> </u>

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 are 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, 2016.

B. Litigation

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

C. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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, 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 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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

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.

B. Millstream Cooperative Career Center

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.

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:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted For:				
Special Instruction				
Athletics			\$23,582	\$23,582
Food Service Operations			6,953	6,953
Facilities Maintenance			215,135	215,135
Debt Retirement		\$615,052		615,052
Capital Improvements			555,540	555,540
Total Restricted		615,052	801,210	1,416,262
Committed for:				
Severance	\$78,679			78,679
Assigned for:				
Educational Activities	6,764			6,764
Unpaid Obligations (encumbrances)	69,563			69,563
Total Assigned	76,327			76,327
Unassigned	4,363,241			4,363,241
Total Fund Balance	\$4,518,247	\$615,052	\$801,210	\$5,934,509

NOTE 17 - INTERFUND TRANSACTIONS

A. Advances

During fiscal year 2015, the General Fund advanced \$13,844 to the Lunchroom Fund. As of June 30, 2016 this advance has not been repaid.

B. Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the General Fund transferring \$100,000 to the Capital Projects Fund to use on capital outlay expenses.

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
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, 2015. 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 2015 are as follows:

In total, net position increased \$648,037.

General revenues accounted for \$6,694,286, or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, accounted for \$969,251, or 13 percent of total revenues of \$7,663,537.

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

The General Fund had \$6,624,472 in receipts and other financing sources and \$6,100,347 in disbursements and other financing uses. The General Fund's balance increased \$524,125 from the prior fiscal year.

The Bond Retirement Fund had \$420,437 in receipts and \$339,120 in disbursements. The Bond Retirement Fund's balance increased \$81,317 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 2015 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, 2015
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 2015 compared to fiscal year 2014.

Table 1		
Net Position		
Governmental Activities		
	2015	2014
<u>Assets:</u>		
Current and Other Assets	\$4,864,419	\$4,216,382
<u>Net Position:</u>		
Restricted for Debt Service	\$511,409	\$430,092
Restricted for Capital Outlay	455,297	426,845
Restricted for Other Purposes	206,918	192,775
Unrestricted	3,690,795	3,166,670
Total	\$4,864,419	\$4,216,382

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

As mentioned previously, net position of governmental activities increased \$648,037 or 15 percent during fiscal year 2015. The primary reason contributing to the increase in cash balance was the General Fund realized an increase in revenues during 2015. The larger increases were in property and other local taxes, tuition and fees, and intergovernmental.

Table 2 reflects the changes in net position for 2015 compared to fiscal year 2014.

Table 2 Change in Net Position Governmental Activities		
	2015	2014
<u>Receipts:</u>		
Program Revenues:		
Charges for Services and Sales	\$595,515	\$531,476
Operating Grants, Contributions and Interest	373,736	345,691
Total Program Revenues	969,251	877,167
General Revenues:		
Property Taxes	2,149,760	1,807,001
Income Taxes	1,385,674	1,520,646
Grants and Entitlements	3,121,195	3,076,926
Gifts and Donations	7,753	43,236
Investment Earnings	10,431	5,564
Miscellaneous	752	3,333
Proceeds from Sale of Capital Assets		63,537
Refund of Prior Year Disbursements	18,721	
Total General Revenues	6,694,286	6,520,243
Total Revenues	7,663,537	7,397,410
<u>Disbursements:</u>		
Instruction	3,707,189	4,027,857
Support Services:		
Pupils	147,117	98,097
Instructional Staff	188,010	175,310
Board of Education	16,240	16,440
Administration	623,722	576,353
Fiscal	209,267	177,255
Operation and Maintenance of Plant	660,259	637,166
Pupil Transportation	391,674	333,098
Central	22,307	14,910
Non-Instructional	254,631	265,555
Extracurricular Activities	292,611	302,736
Capital Outlay	173,079	16,065
Principal	247,000	242,000
Interest and Fiscal Charges	82,394	88,544
Total Disbursements	7,015,500	6,971,386
Increase in Net Position	648,037	426,024
Net Position Beginning of Year	4,216,382	3,790,358
Net Position End of Year	\$4,864,419	\$4,216,382

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

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.

As stated previously, general receipts represent 87 percent of the District's total receipts, and of this amount, 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 (32 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 53 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 9 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 53 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**

	<u>Total Cost of Services</u> <u>2014</u>	<u>Net Cost of Services</u> <u>2014</u>	<u>Total Cost of Services</u> <u>2013</u>	<u>Net Cost of Services</u> <u>2013</u>
Instruction	\$3,707,189	\$3,122,200	\$4,027,857	\$3,523,500
Support Services:				
Pupils	147,117	147,117	98,097	98,097
Instructional Staff	188,010	182,610	175,310	169,910
Board of Education	16,240	16,240	16,440	16,440
Administration	623,722	623,722	576,353	576,353
Fiscal	209,267	209,267	177,255	177,255
Operation and Maintenance of Plant	660,259	642,295	637,166	622,711
Pupil Transportation	391,674	391,674	333,098	333,098
Central	22,307	22,307	14,910	14,910
Non-Instructional	254,631	14,700	265,555	27,158
Extracurricular Activities	292,611	171,644	302,736	188,178
Capital Outlay	173,079	173,079	16,065	16,065
Principal	247,000	247,000	242,000	242,000
Interest and Fiscal Charges	82,394	82,394	88,544	88,544
Total Expenses	<u>\$7,015,500</u>	<u>\$6,046,249</u>	<u>\$6,971,386</u>	<u>\$6,094,219</u>

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
Unaudited
(Continued)**

The dependence upon tax revenues, income tax revenues, and unrestricted state entitlements for governmental activities is apparent. Over 84 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 86 percent. The remaining 14 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 \$7,727,381 and disbursements and other financing uses of \$7,079,344. The District's major governmental funds are the General Fund and the Bond Retirement Fund. The net positive change of \$648,037 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 2015, 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 \$18,355. The final estimated resources were the same as the original estimated resources.

Final disbursements and other financing uses were budgeted at \$6,657,202 while actual disbursements were \$6,115,323. The \$541,879 difference between budgeted disbursements and actual disbursements was a result of lower than anticipated maintenance and capital expenditures that did not take place until early Fiscal Year 2016.

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, 2015, the District had \$2,254,289 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 using CD's to increase interest income by \$15,000 in the next fiscal year, and is optimistic in the new State funding formula. The effect on District finances of the new College Credit Plus program is unknown at this time and a possible concern that would offset any gains in new 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 new state biennium budget. 54 percent of District revenue sources are from local funds, 46 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, 2015
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.

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PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,864,419</u>
Net Position:	
Restricted for Debt Service	\$511,409
Restricted for Capital Outlay	455,297
Restricted for Other Purposes	206,918
Unrestricted	<u>3,690,795</u>
<i>Total Net Position</i>	<u>\$4,864,419</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, 2015**

	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	\$2,998,737	\$301,096	\$127,887	(\$2,569,754)
Special	573,601	9,761	103,994	(459,846)
Vocational	134,851		42,251	(92,600)
Support Services:				
Pupils	147,117			(147,117)
Instructional Staff	188,010		5,400	(182,610)
Board of Education	16,240			(16,240)
Administration	623,722			(623,722)
Fiscal	209,267			(209,267)
Operation and Maintenance of Plant	660,259		17,964	(642,295)
Pupil Transportation	391,674			(391,674)
Central	22,307			(22,307)
Operation of Non-Instructional Services	254,631	174,315	65,616	(14,700)
Extracurricular Activities	292,611	110,343	10,624	(171,644)
Capital Outlay	173,079			(173,079)
Debt Service:				
Principal	247,000			(247,000)
Interest and Fiscal Charges	82,394			(82,394)
Totals	\$7,015,500	\$595,515	\$373,736	(6,046,249)
 General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,751,107
Property Taxes, Levied for Debt Service				372,761
Property Taxes, Levied for Classroom Facilities				25,892
Income Taxes				1,385,674
Grants and Entitlements not Restricted to Specific Programs				3,121,195
Gifts and Donations				7,753
Investment Earnings				10,431
Miscellaneous				752
Refund of Prior Year Disbursements				18,721
Total General Receipts				6,694,286
Change in Net Position				648,037
Net Position Beginning of Year				4,216,382
Net Position End of Year				\$4,864,419

See Accompanying Notes to the Basic Financial Statements

PANDORA-GILBOA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<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>\$3,690,795</u>	<u>\$511,409</u>	<u>\$662,215</u>	<u>\$4,864,419</u>
Fund Balances				
Restricted		\$511,409	\$662,215	\$1,173,624
Committed	\$45,431			45,431
Assigned	58,483			58,483
Unassigned	<u>3,586,881</u>			<u>3,586,881</u>
Total Fund Balances	<u><u>3,690,795</u></u>	<u><u>\$511,409</u></u>	<u><u>\$662,215</u></u>	<u><u>\$4,864,419</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<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	\$1,751,107	\$372,761	\$25,892	\$2,149,760
Income Tax	1,385,674			1,385,674
Intergovernmental	3,115,770	47,676	320,860	3,484,306
Interest	10,185		247	10,432
Tuition and Fees	310,857			310,857
Extracurricular Activities	23,653		86,690	110,343
Gifts and Donations	7,753		7,162	14,915
Customer Sales and Services			174,315	174,315
Miscellaneous	752		3,462	4,214
Total Receipts	<u>6,605,751</u>	<u>420,437</u>	<u>618,628</u>	<u>7,644,816</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,850,982		147,755	2,998,737
Special	469,607		103,994	573,601
Vocational	134,851			134,851
Support Services:				
Pupils	147,117			147,117
Instructional Staff	182,610		5,400	188,010
Board of Education	16,240			16,240
Administration	623,722			623,722
Fiscal	198,825	9,726	716	209,267
Operation and Maintenance of Plant	635,606		24,653	660,259
Pupil Transportation	391,674			391,674
Central	22,307			22,307
Operation of Non-Instructional Services	856		253,775	254,631
Extracurricular Activities	210,821		81,790	292,611
Capital Outlay	151,285		21,794	173,079
Debt Service:				
Principal		247,000		247,000
Interest		82,394		82,394
Total Disbursements	<u>6,036,503</u>	<u>339,120</u>	<u>639,877</u>	<u>7,015,500</u>
Excess of Receipts Over (Under) Disbursements	<u>569,248</u>	<u>81,317</u>	<u>(21,249)</u>	<u>629,316</u>
Other Financing Sources and (Uses):				
Transfers In			50,000	50,000
Advances In			13,844	13,844
Refund of Prior Year Disbursements	18,721			18,721
Transfers Out	(50,000)			(50,000)
Advances Out	(13,844)			(13,844)
Total Other Financing Sources and (Uses)	<u>(45,123)</u>		<u>63,844</u>	<u>18,721</u>
Net Change in Fund Balances	524,125	81,317	42,595	648,037
Fund Balance at Beginning of Year	<u>3,166,670</u>	<u>430,092</u>	<u>619,620</u>	<u>4,216,382</u>
Fund Balance at End of Year	<u>\$3,690,795</u>	<u>\$511,409</u>	<u>\$662,215</u>	<u>\$4,864,419</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, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts:				
Property and Other Local Taxes	\$1,751,107	\$1,751,107	\$1,751,107	
Income Tax	1,385,674	1,385,674	1,385,674	
Intergovernmental	3,080,400	3,080,400	3,115,770	\$35,370
Interest	10,100	10,100	10,185	85
Tuition and Fees	324,303	324,303	310,857	(13,446)
Rent	435	435		(435)
Gifts and Donations	5,100	5,100	5,049	(51)
Miscellaneous	205	205	37	(168)
Total Receipts	6,557,324	6,557,324	6,578,679	21,355
Disbursements:				
Current:				
Instruction:				
Regular	3,132,492	3,132,492	2,869,024	263,468
Special	515,628	515,628	469,707	45,921
Vocational	162,329	162,329	144,181	18,148
Support Services:				
Pupils	156,723	156,723	146,321	10,402
Instructional Staff	216,653	216,653	184,105	32,548
Board of Education	16,870	16,870	16,240	630
Administration	643,984	643,984	595,540	48,444
Fiscal	208,042	208,042	199,055	8,987
Operation and Maintenance of Plant	669,942	669,942	650,216	19,726
Pupil Transportation	428,508	428,508	391,881	36,627
Central	24,330	24,330	22,307	2,023
Operation of Non-Instructional Services	2,515	2,515	856	1,659
Extracurricular Activities	207,846	207,846	210,761	(2,915)
Capital Outlay	156,340	156,340	151,285	5,055
Total Disbursements	6,542,202	6,542,202	6,051,479	490,723
Excess of Receipts Over Disbursements	15,122	15,122	527,200	512,078
Other Financing Sources and (Uses):				
Advances In	3,000	3,000		(3,000)
Refund of Prior Year Disbursements	18,721	18,721	18,721	
Transfers Out	(90,000)	(90,000)	(50,000)	40,000
Advances Out	(25,000)	(25,000)	(13,844)	11,156
Total Other Financing Sources and (Uses)	(93,279)	(93,279)	(45,123)	48,156
<i>Net Change in Fund Balances</i>	(78,157)	(78,157)	482,077	560,234
Fund Balance at Beginning of Year	2,928,736	2,928,736	2,928,736	
Prior Year Encumbrances Appropriated	216,218	216,218	216,218	
Fund Balance at End of Year	\$3,066,797	\$3,066,797	\$3,627,031	\$560,234

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, 2015**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$170,378</u>	<u>\$39,285</u>
Net Position:		
Held in Trust for Scholarships	<u>\$170,378</u>	
Held for Student Activities		<u>\$39,285</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, 2015**

	Private Purpose Trust
Additions:	
Interest	\$168
Gifts and Contributions	500
Total Additions	668
Deductions:	
Payments in Accordance with Trust Agreements	2,125
<i>Change in Net Position</i>	(1,457)
Net Position Beginning of Year	171,835
<i>Net Position End of Year</i>	\$170,378

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 5 administrative employees to provide services to approximately 568 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
- 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, 2015
(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.

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,

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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.

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.

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 level 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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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.

During fiscal year 2015, the District invested in negotiable certificates of deposits and the State Treasury Asset Reserve of Ohio (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 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, 2015.

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 2015 amounted to \$10,185, and \$2,954 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 Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

The statements report interfund loans as advances when made or repaid. There was one unpaid advance as of June 30, 2015.

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. Pension

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 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 positions 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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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.

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 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.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principle

For fiscal year 2015, the District has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS

States statutes classify monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. 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 notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that 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) of this section 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); 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 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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Undeposited Cash: At year end, the District had \$2,500 in undeposited cash on hand, included on the financial statements as part of equity in pooled cash and cash equivalents.

B. Deposits with Financial Institutions: At June 30, 2015, the carrying amount of all District deposits was \$3,818,022. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$1,403,847 of the District's bank balance of \$3,914,153 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.

C. Investments

As of June 30, 2015, the District had the following investments and maturities:

Investment type	Balance at Carrying Value	Balance at Fair Value	Investment Maturities	
			6 months or less	19 to 24 months
Negotiable CD's	\$ 1,244,000	\$ 1,244,000	\$ 996,000	\$ 248,000
STAR Ohio	9,560	9,560	9,560	
Total	\$ 1,253,560	\$ 1,253,560	\$ 1,005,560	\$ 248,000

The weighted average maturity of investments is 1.53 years.

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

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer other than for commercial paper and banker's acceptances. The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 1,244,000	\$ 1,244,000	0.99
STAR Ohio	9,560	9,560	0.01
Total	<u>\$ 1,253,560</u>	<u>\$ 1,253,560</u>	<u>1.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,818,022
Cash on hand	2,500
Investments	1,253,560
Total	<u>\$ 5,074,082</u>

<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 4,864,419
Private-purpose trust funds	170,378
Agency funds	39,285
Total	<u>\$ 5,074,082</u>

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 \$49,064 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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)	\$524,125
Funds Budgeted Elsewhere	7,016
Outstanding Encumbrances	(49,064)
Budget Basis (as Reported)	\$482,077

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 2015 represent the collection of calendar years 2014 taxes. Real property taxes received in calendar years 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar years 2014 taxes. Public utility real and tangible personal property taxes received in calendar years 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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.

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, 2015 are available to finance fiscal years 2015 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 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$72,690,350	92.76%	\$100,427,700	94.58%
Industrial/Commercial	3,672,470	4.69%	3,692,730	3.48%
Public Utility Property	1,998,800	2.55%	2,057,580	1.94%
Total Assessed Value	\$78,361,620	100.00%	\$106,178,110	100.00%
Tax rate per \$1,000 of assessed valuation	\$42.80		\$41.15	

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NOTE 7 – INCOME TAXES

The District levies voted taxes of .75% and 1% for general operations on the income of residents and of estates. The .75% tax was renewed for a period of five years beginning on January 1, 2014, and the 1% tax was renewed for a period of 5 years beginning on January 1, 2012. 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	\$21,894,505
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	15,000,000

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.

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

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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

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$96,088 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A

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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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$323,532 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,287,757	\$5,724,196	\$7,011,953
Proportion of the Net Pension Liability	2.544500%	2.3533640%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the

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probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$1,837,247	\$1,287,757	\$825,589

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years; one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease █ (6.75%)	Current █ Discount Rate (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$8,194,810	\$5,724,196	\$3,634,887

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.

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 2015, STRS Ohio did not allocate any employer contributions to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$0, 24,166 and 25,300, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

B. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

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. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District

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paid \$12,744 in surcharge.

The District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$18,372, 12,891, \$13,549 respectively. For fiscal year 2015, 78 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

NOTE 11 – DEBT

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 06/30/2014	Additions	Reductions	Principal Outstanding 06/30/2015	Amounts Due In One Year
General Obligation Bonds:					
General obligation bonds – 2010	\$2,095,000		\$230,000	\$1,865,000	
Capital appreciation bonds - 2010	139,997			139,997	\$76,352
Accretion of Interest	177,747	\$71,545		249,292	158,648
Total General Obligation Bonds	<u>\$2,412,744</u>	<u>\$71,545</u>	<u>\$230,000</u>	<u>\$2,254,289</u>	<u>\$235,000</u>

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
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, 2015, the total amount of these bonds including accretion was \$389,289. These bonds are being retired through the Bond Retirement Debt Service Fund.

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At June 30, 2015, \$2,004,997 of the refunded bonds were still outstanding.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2015, are as follows:

<u>Year 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>
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	255,000	49,500	304,500			
2021 - 2024	1,110,000	90,800	1,200,800			
Total	<u>\$1,865,000</u>	<u>\$410,419</u>	<u>\$2,275,419</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, 2015 are a voted debt margin of \$ \$8,062,433 and an unvoted debt margin of \$106,178

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 2015 were \$17,000.

Principal and interest requirements to retire lease-purchase commitments outstanding at June 30, 2015, were as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$168,000</u>	<u>\$30,923</u>	<u>\$198,923</u>

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

The following cash basis information describes the change in the fund balance reserves for capital improvements during fiscal year 2015.

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2014	
Current Year Set-aside Requirement	\$91,435
Qualifying Disbursements	(\$91,435)
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 are 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, 2015.

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, 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 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.

B. Millstream Cooperative Career Center

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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.

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			\$3,042	\$3,042
Athletics			25,779	25,779
Facilities Maintenance			178,097	178,097
Debt Retirement		\$511,409		511,409
Capital Improvements			455,297	455,297
Total Restricted		511,409	662,215	1,173,264
Committed for:				
Severance	\$45,431			45,431
Assigned for:				
Educational Activities	9,419			9,419
Unpaid Obligations (encumbrances)	49,064			49,064
Total Assigned	58,483			58,483
Unassigned	3,586,881			3,586,881
Total Fund Balance	\$3,690,795	\$511,409	\$662,215	\$4,864,419

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 17 - INTERFUND TRANSACTIONS

A. Advances

Advances in/advances out consisted of the General Fund advancing \$13,844 to the Lunchroom Fund as reported on the fund statement.

The advance will be repaid once the anticipated revenues are received.

Advances between governmental funds are eliminated on the government-wide financial statements.

B. Transfers

Interfund transfer for the year ended June 30, 2015, consisted of the General Fund transferring \$50,000 to the Capital Projects Fund to use on capital outlay expenses.

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.



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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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pandora-Gilboa Local School District, Putnam County, Ohio, (the District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 22, 2017, 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-002 to be a material weakness.

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 2016-001.

Entity's Response to Findings

The District's responses to the findings 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

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

May 22, 2017

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

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office “shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

Ohio Admin. Code § 117-2-03(B) adds to the general requirements of Ohio Rev. Code § 117.38 by requiring Districts to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

The District lacked a GASB 34 policy and prepared its financial statements on the cash basis of accounting, which is a basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District may 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, 2016 and 2015, as well as saving the District thousands of dollars in costs of preparation and audit fees by not presenting statements on GAAP basis.

FINDING NUMBER 2016-002

Material Weakness

Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Treasurer and Board of Education, and is essential to ensure the information provided to the readers of the financial statements accurately reflects the District’s activity.

The fiscal year 2016 financial statement incorrectly classified a capital appreciation bond payment of \$158,648. This resulted in overstating interest payments and understating principal payments. Also, the budget to actual statement had intergovernmental estimated receipts understated by \$469,107 in the original budgeted column and by \$449,553 in the final budgeted column in fiscal year 2016.

The District lacked a policy regarding financial review which contributed to these material errors occurring without detection. Adjusting entries were posted to the District's financial statements to correct these errors in fiscal year 2016 and one error for \$1,930 in fiscal year 2015.

To ensure the District's financial statements and notes to the statements are complete and accurate, we recommend the Treasurer post all transactions in accordance with the guidance established by the Uniform School Accounting System issued by the Auditor of State. In addition, budgetary amounts reported should be compared to the final certificate of estimated resources. Furthermore, the Board should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board, to identify and correct errors and omissions.

Officials' Response:

We followed Bond Counsel's amortization schedule, but will agree to auditor's changes and will post on their recommendations in the future.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	Not corrected and repeated as finding 2016-001 in this report.	At this time, the Pandora-Gilboa Board of Education feels it is more cost effective to file the OCBOA statement in lieu of the GAAP statement.

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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
JUNE 13, 2017**