



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**REGULAR AUDIT**

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



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Kalida Local School District  
Putnam County  
301 North Third Street  
PO Box 269  
Kalida, Ohio 45853-0269

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Kalida Local School District, Putnam County, Ohio, (the District) as of and for the year ended and June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kalida Local School District, Putnam County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

February 3, 2000



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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 725,587	\$ 90,312	\$ 2,034	\$ 107,531
Cash and Cash Equivalents with Fiscal Agents		5,046		
Investments in Segregated Accounts	1,000			
Receivables:				
Property and Other Local Taxes	1,097,360			50,811
Accounts	378	297		
Intergovernmental	301			
Accrued Interest	3,770			
Inventory Held for Resale				
Prepaid Items	7,205			
Fixed Assets (Net of Accumulated Depreciation where applicable)				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	93,119			
<b>Other Debits:</b>				
Amount available in Debt Service Fund for Retirement of General Obligation Notes				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$ 1,928,720</b>	<b>\$ 95,655</b>	<b>\$ 2,034</b>	<b>\$ 158,342</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 18,739	\$ 1,456	\$ 0	\$ 22,329
Claims Payable				
Accrued Wages and Benefits	364,890	3,247		
Compensated Absences Payable	5,380			
Intergovernmental Payable	92,757	927		
Deferred Revenue	1,023,008			47,393
Undistributed Monies				
Due to Students				
Notes Payable				
Total Liabilities	1,504,774	5,630	0	69,722
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings: Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	47,568	3,685		500
Reserved for Debt Service Principal			2,034	
Reserved for Bus Purchase	39,734			
Reserved for Property Tax	74,352			3,418
Reserved for Textbooks and Instructional Material	11,427			
Reserved for Budget Stabilization	41,958			
Unreserved:				
Unreserved, Undesignated	208,907	86,340		84,702
Total Fund Equity and Other Credits	423,946	90,025	2,034	88,620
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 1,928,720</b>	<b>\$ 95,655</b>	<b>\$ 2,034</b>	<b>\$ 158,342</b>

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



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
\$ 3,706	\$ 5,015	\$ 122,156	\$ 0	\$ 0	\$ 1,056,341
					5,046
					1,000
					1,148,171
	3,501	2,460			6,636
					301
4,158					3,770
					4,158
					7,205
20,827			3,484,165		3,504,992
					93,119
				2,034	2,034
				331,169	331,169
<b>\$ 28,691</b>	<b>\$ 8,516</b>	<b>\$ 124,616</b>	<b>\$ 3,484,165</b>	<b>\$ 333,203</b>	<b>\$ 6,163,942</b>
\$ 557	\$ 0	\$ 6,338	\$ 0	\$ 0	\$ 49,419
	7,187				7,187
12,387	144				380,668
3,776				276,555	285,711
13,890	82	6		25,358	133,020
2,314					1,072,715
		19,898			19,898
		60,839			60,839
				31,290	31,290
32,924	7,413	87,081	0	333,203	2,040,747
			3,484,165		3,484,165
8,136					8,136
(12,369)	1,103				(11,266)
					51,753
					2,034
					39,734
					77,770
					11,427
					41,958
		37,535			417,484
(4,233)	1,103	37,535	3,484,165	0	4,123,195
<b>\$ 28,691</b>	<b>\$ 8,516</b>	<b>\$ 124,616</b>	<b>\$ 3,484,165</b>	<b>\$ 333,203</b>	<b>\$ 6,163,942</b>

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

	Governmental Fund Types	
	General	Special Revenue
<b>Revenues:</b>		
Taxes	\$ 1,091,321	\$ 0
Intergovernmental	2,514,898	81,897
Interest	53,650	3,106
Tuition and Fees	15,657	
Rent	400	
Extracurricular Activities	541	66,137
Gifts and Donations	16,180	3,112
Miscellaneous	6,024	
Total Revenues:	3,698,671	154,252
<b>Expenditures:</b>		
Instruction:		
Regular	1,986,617	36
Special	234,609	28,456
Vocational	98,859	
Adult/Continuing		968
Other	3,318	
Support Services:		
Pupils	144,894	14,986
Instructional Staff	156,217	29,957
Board of Education	26,726	
Administration	334,747	15,522
Fiscal	114,704	339
Operation and Maintenance of Plant	332,836	
Pupil Transportation	142,966	
Central		2,266
Non-Instructional Services		34
Extracurricular activities	102,479	65,466
Capital Outlay		
Debt Service:		
Principal		
Total Expenditures:	3,678,972	158,030
Excess of Revenues Over (Under) Expenditures:	19,699	(3,778)
<b>Other Financing Sources (Uses):</b>		
Operating Transfers In		1,668
Proceeds from Sale of Fixed Assets	177	
Operating Transfers Out	(2,318)	
Total Other Financing Sources (Uses)	(2,141)	1,668
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	17,558	(2,110)
Fund Balance at Beginning of Year	406,388	92,135
<b>Fund Balance at End of Year</b>	<b>\$ 423,946</b>	<b>\$ 90,025</b>

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 5,000	\$ 50,704	\$ 0	\$ 1,147,025
	161,286		2,758,081
	2,496	1,907	61,159
			15,657
			400
			66,678
			19,292
		790	6,814
<u>5,000</u>	<u>214,486</u>	<u>2,697</u>	<u>4,075,106</u>
	131,083		2,117,736
			263,065
			98,859
			968
			3,318
			159,880
	7,925		194,099
			26,726
	299		350,568
	1,427		116,470
			332,836
			142,966
			2,266
		3,000	3,034
			167,945
	452,263		452,263
<u>5,000</u>	<u>592,997</u>	<u>3,000</u>	<u>4,437,999</u>
0	(378,511)	(303)	(362,893)
	650		2,318
			177
			(2,318)
<u>0</u>	<u>650</u>	<u>0</u>	<u>177</u>
	(377,861)	(303)	(362,716)
2,034	466,481	37,838	1,004,876
<u>\$ 2,034</u>	<u>\$ 88,620</u>	<u>\$ 37,535</u>	<u>\$ 642,160</u>

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

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 1,032,079	\$ 1,070,856	\$ 38,777
Intergovernmental	2,179,572	2,514,798	335,226
Interest	40,050	53,462	13,412
Tuition and Fees	10,368	15,646	5,278
Rent		400	400
Extracurricular Activities		541	541
Gifts and Donations	5,000	16,180	11,180
Miscellaneous	5,000	7,465	2,465
<b>Total Revenues:</b>	<b>3,272,069</b>	<b>3,679,348</b>	<b>407,279</b>
<b>Expenditures:</b>			
Instruction:			
Regular	2,140,235	1,989,497	150,738
Special	251,800	242,503	9,297
Vocational	110,246	93,019	17,227
Other	4,000	3,318	682
Support Services:			
Pupils	137,978	135,410	2,568
Instructional Staff	191,320	156,321	34,999
Board of Education	24,832	23,192	1,640
Administration	370,844	337,698	33,146
Fiscal	144,141	114,170	29,971
Operation and Maintenance of Plant	387,341	351,410	35,931
Pupil Transportation	191,247	158,007	33,240
Central			
Non-Instructional Services			
Extracurricular activities	104,312	102,411	1,901
Capital Outlay			
Debt Service:			
Principal			
<b>Total Expenditures:</b>	<b>4,058,296</b>	<b>3,706,956</b>	<b>351,340</b>
Excess of Revenues Over (Under) Expenditures:	(786,227)	(27,608)	758,619
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	500	177	(323)
Refund of Prior Year Expenditures		40	40
Advances In		35,325	35,325
Operating Transfers Out	(3,000)	(2,318)	682
Refund of Prior Year Receipts	(3,074)	(3,074)	0
Advances Out			
<b>Total Other Financing Sources (Uses)</b>	<b>(5,574)</b>	<b>30,150</b>	<b>35,724</b>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(791,801)	2,542	794,343
Fund Balance at Beginning of Year	681,416	681,416	0
Prior Year Encumbrances Appropriated	75,583	75,583	0
<b>Fund Balance at End of Year</b>	<b>\$ (34,802)</b>	<b>\$ 759,541</b>	<b>\$ 794,343</b>

**Governmental Fund Types**

<b>Special Revenue</b>			<b>Debt Service</b>		
<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 0	\$ 0	\$ 0	\$ 5,000	\$ 5,000	\$ 0
54,000	46,827	(7,173)			
1,500	3,106	1,606			
87,500	66,110	(21,390)			
	3,112	3,112			
<b>143,000</b>	<b>119,155</b>	<b>(23,845)</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>
23,931		23,931			
28,980	19,097	9,883			
15,250	8,335	6,915			
22,205	15,075	7,130			
27,212	15,947	11,265			
389	339	50			
15,894	2,266	13,628			
107,246	69,750	37,496			
			5,000	5,000	0
<b>241,107</b>	<b>130,809</b>	<b>110,298</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>
<b>(98,107)</b>	<b>(11,654)</b>	<b>86,453</b>	<b>0</b>	<b>0</b>	<b>0</b>
21,000	1,668	(19,332)			
21,000	1,668	(19,332)	0	0	0
(77,107)	(9,986)	67,121	0	0	0
81,864	81,864	0	2,034	2,034	0
13,319	13,319	0	0	0	0
<b>\$ 18,076</b>	<b>\$ 85,197</b>	<b>\$ 67,121</b>	<b>\$ 2,034</b>	<b>\$ 2,034</b>	<b>\$ 0</b>

(Continued)

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

	<u>Governmental Fund Types</u>		
	<u>Capital Projects</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$ 47,918	\$ 49,862	\$ 1,944
Intergovernmental	693,355	513,397	(179,958)
Interest		2,496	2,496
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous			
Total Revenues:	<u>741,273</u>	<u>565,755</u>	<u>(175,518)</u>
<b>Expenditures:</b>			
Instruction:			
Regular	195,186	131,083	64,103
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instructional Staff	8,403	7,925	478
Board of Education			
Administration	299	299	
Fiscal	3,000	1,427	1,573
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	531,478	439,904	91,574
Debt Service:			
Principal			
Total Expenditures:	<u>738,366</u>	<u>580,638</u>	<u>157,728</u>
Excess of Revenues Over (Under) Expenditures:	<u>2,907</u>	<u>(14,883)</u>	<u>(17,790)</u>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In		650	650
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out	(35,325)	(35,325)	0
Total Other Financing Sources (Uses)	<u>(35,325)</u>	<u>(34,675)</u>	<u>650</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(32,418)	(49,558)	(17,140)
Fund Balance at Beginning of Year	123,329	123,329	0
Prior Year Encumbrances Appropriated	23,790	23,790	0
<b>Fund Balance at End of Year</b>	<b><u>\$ 114,701</u></b>	<b><u>\$ 97,561</u></b>	<b><u>\$ (17,140)</u></b>

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



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

	<u>Proprietary Fund Types</u>		
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Revenues:</b>			
Sales	\$ 180,753	\$ 0	\$ 180,753
Charges for Services		11,462	11,462
Proceeds from Sale of Fixed Assets	275		275
Other Revenues		1,641	1,641
	<u>181,028</u>	<u>13,103</u>	<u>194,131</u>
<b>Operating Expenses:</b>			
Salaries	69,854	2,129	71,983
Fringe Benefits	43,872	8,964	52,836
Purchased Services	3,118	5,429	8,547
Materials and Supplies	20,175		20,175
Cost of Sales	99,021		99,021
Depreciation	2,135		2,135
Other	170	1,641	1,811
	<u>238,345</u>	<u>18,163</u>	<u>256,508</u>
Operating Loss	<u>(57,317)</u>	<u>(5,060)</u>	<u>(62,377)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	23,633		23,633
Interest	190		190
Federal and State Subsidies	19,875		19,875
	<u>43,698</u>		<u>43,698</u>
Total Non-Operating Revenues (Expenses)	<u>43,698</u>		<u>43,698</u>
Net Loss	(13,619)	(5,060)	(18,679)
Retained Earnings at Beginning of Year	<u>1,250</u>	<u>6,163</u>	<u>7,413</u>
<b>Retained Earnings at End of Year</b>	<u>(12,369)</u>	<u>1,103</u>	<u>(11,266)</u>
Contributed Capital at Beginning of Year	0	0	0
Contributed Capital from Other Fund	<u>8,136</u>	<u>0</u>	<u>8,136</u>
Contributed Capital at End of Year	<u>8,136</u>	<u>0</u>	<u>8,136</u>
Total Fund Equity (Deficit) at End of Year	<u>\$ (4,233)</u>	<u>\$ 1,103</u>	<u>\$ (3,130)</u>

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



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

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 184,102	\$ 13,461	\$ 197,563
Cash Payments to Suppliers for Goods and Services	(98,538)	(9,464)	(108,002)
Cash Payments to Employees for Services	(72,031)	(2,063)	(74,094)
Cash Payments for Employee Benefits	(43,872)	(1,777)	(45,649)
Cash Payments for Other Expenses	(170)	(1,641)	(1,811)
Net Cash Used by Operating Activities	<u>(30,509)</u>	<u>(1,484)</u>	<u>(31,993)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Operating Grants	19,875		19,875
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(1,078)		(1,078)
Cash Flows from Investing Activities:			
Interest on Investments	190		190
Net Decrease in Cash and Cash Equivalents	(11,522)	(1,484)	(13,006)
Cash and Cash Equivalents at Beginning of Year	15,228	6,499	21,727
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 3,706</u></b>	<b><u>\$ 5,015</u></b>	<b><u>\$ 8,721</u></b>
 <b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>			
Operating Loss	\$ (57,317)	\$ (5,060)	\$ (62,377)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation	2,135		2,135
Federal Donated Commodities	23,633		23,633
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable		358	358
Decrease in Inventory Held for Resale	146		146
Increase/(Decrease) in Accounts Payable	(1,347)	3,152	1,805
Increase in Accrued Wages	286	75	361
Increase in Compensated Absences Payable	371		371
Increase/(Decrease) in Intergovernmental Payable	611	(9)	602
Increase in Deferred Revenue	973		973
Total Adjustments	<u>26,808</u>	<u>3,576</u>	<u>30,384</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (30,509)</u></b>	<b><u>\$ (1,484)</u></b>	<b><u>\$ (31,993)</u></b>

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 1 - REPORTING ENTITY**

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

Average daily membership (ADM) as of October 1, 1998 was 746. The District employed 5 administrative and supervisory personnel, 49 certificated employees and 24 non-certificated employees. Local school districts are supervised by the county board of education, a separate entity.

**Reporting Entity:**

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

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

The School District is associated with two jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Vantage Career Center, Putnam County School Insurance Group, and the NOACSC Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the general-purpose financial statements.

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

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

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

The financial transactions of the District are recorded in individual funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate

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

legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

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

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

**1. Governmental Fund Types**

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

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

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

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

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

**2. Proprietary Fund Types**

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

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

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

*Internal Service Funds* – The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Expendable Trust* – The expendable trust funds are used to account for assets held by the governmental unit in a trustee capacity as an agent for individual, private organizations or other governmental units with the specific trust agreements as to how the funds will be disbursed.

*Agency* – The agency funds are used to account for assets held by the District as an agent for individual, private organizations, other governments, or other funds.

**4. Account Groups**

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

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

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

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

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

The modified accrual basis of accounting is utilized for reporting purposes in the governmental fund types, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation which is not payable from current expendable financial resources and general long-term obligation interest which is reported when due.

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

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

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

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

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolutions of the Board of Education.

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

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

entity for which the "appropriated budget" is adopted, and the School District does not maintain separate budgetary records.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**2. Estimated Resources**

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

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; two of these were significant to the Capital Projects Fund.

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

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

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

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

During fiscal year 1999, investments were limited to STAR Ohio (the State Treasurer's Asset Reserve investment pool), certificates of deposit, and local phone company stock.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$53,650, which includes \$22,303 assigned from other School District funds.

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



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

**E. Restricted Assets**

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

**F. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**G. Prepaid Items**

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

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a policy of not capitalizing assets with a cost of less than three hundred dollars (\$300.00).

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

Depreciation is not recognized for assets in the general fixed asset account group. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life ranging from five to twenty years.

**I. Intergovernmental Revenues**

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

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

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

*Entitlements*

*General Fund*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase

*Non-Reimbursable Grants*

*Special Revenue Funds*

Teacher Development Grant  
Education Management Information Systems  
Textbook and Instructional Materials Subsidy  
Title I  
Innovative Education Program Strategies  
Continuous Improvement Development Grant  
Library Services and Technology Act Grant

*Capital Projects Funds*

School Net Plus  
Technology Equity Grant  
Instructional Video Distance Learning Program  
Emergency Building Repair Grant

*Reimbursable Grants*

*General Fund*

Driver Education

*Proprietary Funds*

National School Lunch Program  
Special Milk Program  
Government Donated Commodities

Grant entitlements amounted to approximately \$2,758,082 of the School Districts operating revenues during the fiscal year 1999 for all governmental funds.

**J. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

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

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

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

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

**M. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise fund that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings.

Because the School District had not prepared financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise fund have been classified as retained earnings.

**N. Interfund Transactions**

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

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

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

**O. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service, property taxes, textbooks, bus purchases, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**P. Estimates**

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

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

1. The Food Service enterprise fund had deficit retained earnings of \$13,127, as a result of accumulated operating losses from prior years.
2. For some transactions the District did not obtain the prior certification of the Treasurer

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual-All Governmental Fund Types and the Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis)
5. Although not part of the appropriated budget, VI-B Preschool, Eisenhower and Drug Free special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types						
		General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$	2,542	\$ (9,986)	\$ 0	\$ (49,558)	\$ (303)
Revenue Accruals		(16,042)	35,097	0	(351,269)	0
Expenditure Accruals		(28,106)	(32,335)	0	12,996	(1,000)
Encumbrances		59,164	5,114	0	9,970	1,000
GAAP Basis	\$	<u>17,558</u>	<u>\$ (2,110)</u>	<u>\$ 0</u>	<u>\$ (377,861)</u>	<u>\$ (303)</u>

**NOTE 5 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. 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.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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

At year end, the School District had \$42 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

At year-end, the School District had \$5,046 held by the Putnam County Educational Service Center. This amount is included on the balance sheet as "Cash with Fiscal Agent".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

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

**Deposits**

At fiscal year end, the carrying amount of the School District's deposits and cash on hand was \$378,335 and the bank balance was \$400,321. Of the bank balance, \$200,000 was covered by federal depository insurance and \$150,321 was covered by securities held by the pledging financial institution's trust department in the School District's name and \$50,000 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments**

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The District held stock which is a Category 1 investment. As of June 30, 1999, the carrying amount and fair value of the stock was \$1,000.

The District's investments as of June 30, 1999 are categorized below:

	Category	Carrying Amount	Fair Value
STAR Ohio	Unclassified	\$ 776,171	\$ 776,171
Stock	1	1,000	1,000
		\$ 777,171	\$ 777,171

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 1,154,506	\$ 1,000
Investments:		
STAR Ohio	(776,171)	776,171
GASB Statement 3	\$ 378,335	\$ 777,171

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

**NOTE 6- PROPERTY TAXES**

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

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

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

The School District receives property taxes from Putnam County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$77,770 and is recognized as revenue, \$74,352 was available to the General Fund and \$3,418 in the Bond Retirement Fund.

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

	1998 Second Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 32,836,090	79.00%	\$ 34,648,390	78.95%
Public Utility	3,428,230	8.25%	3,784,840	8.63%
Tangible Personal Property	5,299,387	12.75%	5,447,859	12.42%
Total Assessed Value	<u>\$ 41,563,707</u>	<u>100.00%</u>	<u>\$ 43,881,089</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	<u>\$ 35.90</u>		<u>\$ 35.70</u>	



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

**NOTE 7 - FIXED ASSETS**

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

Furniture and Equipment	\$ 86,629
Less Accumulated Depreciation	<u>(65,802)</u>
Net Fixed Assets	<u><u>\$ 20,827</u></u>

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

Asset Category	Balance at 7/1/98	Additions	Reductions	Balance at 6/30/99
Land	\$ 23,880	\$ 17,000		\$ 40,880
Land Improvements	46,825	\$ 308		47,133
Buildings	1,350,392	219,787		1,570,179
Furniture and Equipment	1,147,794	163,847	32,903	1,278,738
Vehicles	252,235			252,235
Musical Instruments	76,000			76,000
Sheet Music	25,000			25,000
Uniforms	39,000			39,000
Library Books	80,000			80,000
Textbooks	75,000			75,000
Total General Fixed Assets	<u><u>\$ 3,116,126</u></u>	<u><u>\$ 400,942</u></u>	<u><u>\$ 32,903</u></u>	<u><u>\$ 3,484,165</u></u>

**NOTE 8 - RECEIVABLES**

Receivables, at June 30, 1999, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability Insurance**

The School District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the District contracted with the Indiana Insurance Company for property and general liability insurance and boiler and machinery insurance. Professional Liability is protected by the Nationwide Insurance Company with \$1,000,000 each occurrence, \$3,000,000 aggregate limit.

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

**B. Fleet Insurance**

Vehicles are covered by Auto-Owners Mutual Insurance Company and hold a \$100 deductible for comprehensive and \$100 for collisions. Automobile liability has a \$2,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years.

**C. Workers' Compensation Group Rating Program**

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 15). The Plan 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' 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.

**D. Putnam County Schools Insurance Group (PCSIG)**

The School District joined together with school districts and other entities to form the Putnam County Schools Insurance Group (PCSIG), a public entity risk pool (Note 15) currently operating as a common risk management and insurance program for 11 member entities. The School District pays its monthly premiums to the PCSIG and their designated insurance company. The PCSIG is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the PCSIG may assess additional charges to all participants.

The PCSIG provides employee health care benefits to all participants under a contingent premium policy. Under the policy, the provider pays claims up to 90 percent of the fully insured rate and the PCSIG reimburses the provider for claims up to 107 percent of the fully insured rate. Any claims in excess of the 107 percent are covered under a stop loss policy.

**E. Prescription Drug Self-Insurance Program**

Since August 1, 1994, the District also provides prescription drug insurance benefits to employees through a self-insurance program. The program reimburses participating pharmacies for the cost of prescriptions less a \$5.00 employee co-payment. The employees then file the cost of the prescription through our health insurance, and if the health insurance Company makes a payment for the prescription, the employee turns over the payment to the school district. The school district contributes monthly to the self-insurance fund, \$20.00 per single plan and \$30.00 per family plan, up to a maximum fund balance of \$10,000. These contributions and all related expenses are accounted for in the prescription Drug Self-Insurance Plan Fund (024-9092). During fiscal year 1999, reimbursement by the employees' health insurance program was \$54,219 of which \$11,487 was a receivable at fiscal year end. The school district has no stop loss insurance and has not set a maximum amount payable per beneficiary. However, the School District's liability is limited to the employees' unpaid deductible and maximum out-of-pocket expense.

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

Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal year</u>	<u>Unpaid Claims (Payables) at Beginning of Year</u>	<u>Plus Current Year Claims</u>	<u>Minus Claim Payments</u>	<u>Unpaid Claims (Payables) at End of Year</u>
1998	\$ 2,479	\$ 49,874	\$ 48,318	\$ 4,035
1999	\$ 4,035	\$ 64,977	\$ 61,825	\$ 7,187

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the Kalida Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$55,634, \$52,909 and \$49,184, respectively; 51.69 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$26,878 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System:**

The Kalida Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Kalida Local School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The

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

School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$279,286, \$270,988, and \$253,935, respectively; 83.25 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$46,783 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

**NOTE 11 - POST EMPLOYMENT BENEFITS**

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

**A. School Employees Retirement System**

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$25,035 during the 1999 fiscal year.

**B. State Teachers Retirement System**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. Through June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the School District, this amount equaled \$159,592 during fiscal 1999

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. For the year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000 and STRS had 88,718 eligible benefit recipients

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

**NOTE 12 - EMPLOYMENT BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick leave is paid upon retirement at the rate of one-fourth of the accumulated sick leave to a maximum of 33 days at the daily rate of pay being received at the time of final service.

The long-term balance of the liability for governmental funds is reported in the general long-term obligations account group in the amount of \$276,555 for FY 1999. The accrual for unpaid compensated absences of \$3,776 for FY 1999 was reported in the enterprise funds and \$5,380 for FY 1999 was reported in the General Fund.

**B. Insurance**

The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross /Blue Shield for each full-time certificated and classified employee. The District pays 50% of the premium for employees who work 2 to 5 hours per day, employees who work less than 2 hours a day are not eligible. Dental insurance is also provided through Anthem Blue Cross/Blue shield at 90% and 45% respectively, employees who work less than 2 hours are not eligible.

**NOTE 13 - LONG-TERM OBLIGATIONS**

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

	Principal Outstanding 6/30/98	Additions	Reductions	Principal Outstanding 6/30/99
EPA Asbestos Removal Note No Interest; Matures 2006	\$ 36,290	\$ 0	\$ 5,000	\$ 31,290
Intergovernmental Payable	25,729	25,358	25,729	25,358
Compensated Absences	250,362	26,193	0	276,555
Totals	<u>\$ 312,381</u>	<u>\$ 51,551</u>	<u>\$ 30,729</u>	<u>\$ 333,203</u>

During Fiscal Year 1986, an interest-free Asbestos School Hazard Abatement Note was issued through the U.S. Environmental protection Agency in the amount of \$88,790. The semi-annual payments of \$2,500, which commenced June 1987 and will conclude no later than June 30, 2006. Proceeds from the note were used to remove friable asbestos from school buildings in order to meet federal mandates.

The intergovernmental payables and compensated absences recorded above represent the non-current portion of the liability. The current portion has been recorded in the appropriate fund types. The

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

intergovernmental payables and compensated absences will be paid from the fund from which the employee is paid.

The annual requirements to amortize all bond and note debt outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30	EPA Assistance Note Award
2000	\$ 5,000
2001	5,000
2002	5,000
2003	5,000
2004	5,000
2005-2006	6,290
Total	<u>\$ 31,290</u>

**NOTE 14 - INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's operating transfers for fiscal year 1999:

Fund	Transfer In	Transfer (Out)
General	\$ 0	\$ 2,318
Capital Projects:		
Permanent Improvement	650	
Special Revenue:		
Management Information System	1,668	
	<u>\$ 2,318</u>	<u>\$ 2,318</u>

**NOTE 15 - OPERATING LEASES**

The District rents the elementary school building from the St. Michael's parish. The current contract runs from August 1, 1996 to July 31, 2001. During fiscal year 1999, the District paid \$93,296 in rent. Future rent payments for the duration of the contract amount to \$195,073.

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

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

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

	Food Service	Uniform School Supply	Total
Operating Revenues	\$ 159,990	\$ 21,039	\$ 181,028
Operating Expenses Before Depreciation	214,639	21,571	236,210
Depreciation Expense	2,135	0	2,135
Operating Loss	(56,785)	(532)	(57,317)
Non-Operating Revenues			
Federal Donated Commodities	23,633	0	23,633
Interest Earned	190	0	190
Operating Grants	19,875	0	19,875
Net Loss	(13,087)	(532)	(13,619)
Additions to Property, Plant and Equipment	1,078	0	1,078
Capital Contributions	8,136	0	8,136
Net Working Capital	(22,042)	758	(21,284)
Total Assets	27,933	758	28,691
Long-Term Liabilities	3,776	0	3,776
Total Equity	(4,991)	758	(4,233)
Encumbrances Outstanding (Budget Basis) at June 30, 1999	2,695	561	3,256

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Service Cooperative**

The School 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 school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Van Wert and Wood counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. The School District paid NOACSC \$3,393 for services provided during the year. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**B. Vantage Career Center**

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School, Julie Mohr, Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

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

**NOTE 18 - INSURANCE POOLS**

**A. Putnam County Schools Insurance Group**

The Putnam County Schools Insurance Group is a shared risk pool among nine local school districts, the Putnam County Board of MR/DD, and the Putnam County Educational Service Center. The insurance group is governed by an advisory committee consisting of each member's superintendent or designee and a teacher from each participating school district. The School District paid the Putnam County Schools Insurance Group \$18,882 for services provided during the year. Financial information can be obtained from Kathleen Schmitz, who serves as treasurer, at P.O. Box 190, Ottawa, Ohio 45875.

**B. Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program**

The School District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five 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 Superintendent 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. The School District paid GRP \$782 for services provided during the year.

**NOTE 19 - CONTINGENCIES**

**Grants**

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

**NOTE 20 - SUBSEQUENT EVENTS (State School Funding Decision)**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,414,206 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "through and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an



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

opinion on this issue. The Ohio Supreme Court has stayed the decision of the Court of Common Pleas in Perry County, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 21 - YEAR 2000 ISSUES**

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

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

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

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

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

To the best of management's knowledge and belief, as of February 3, 2000, the government experienced no interruption of operations or services related to the Year 2000 issue. However, Because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**NOTE 22 - SET ASIDE CALCULATIONS AND FUND RESERVES**

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

The School District is also required to set aside money for budget stabilization. For fiscal year 1999, the set-aside percentage requirement was 1% of the previous fiscal year qualifying general fund revenue.

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

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

	Instructional Material and Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 13,425	\$ 13,425
Current Year Set-aside Requirement	56,483	56,483	28,241	141,207
Current Year Additional Deposits			292	292
Current Year Offsets		49,862		49,862
Qualifying Disbursements	45,056	6,621		51,677
Set-aside Cash Balance as of June 30, 1999	<u>\$ 11,427</u>	<u>\$ 0</u>	<u>\$ 41,958</u>	<u>\$ 53,385</u>
Amount restricted for bus purchases				<u>39,734</u>
Total Restricted Assets				<u>\$ 93,119</u>

Amounts of qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional qualifying expenditures during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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

Kalida Local School District  
Putnam County  
301 North Third Street  
PO Box 269  
Kalida, Ohio 45853-0269

To the Board of Education:

We have audited the accompanying financial statements of the Kalida Local School District, Putnam County, Ohio, (the District) as of and for the years ended June 30, 1999, and have issued our report thereon dated February 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10269-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 3, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated February 3, 2000.

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

**Jim Petro**  
Auditor of State

February 3, 2000

**SCHEDULE OF FINDINGS  
JUNE 30, 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-10269-001**

**Noncompliance Citation**

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

This section also provides two exceptions to the above requirements:

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

Thirty percent of the transactions tested were not properly certified.

This procedure is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of District funds being over expended.

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





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**KALIDA LOCAL SCHOOL DISTRICT**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 7, 2000**