



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kalida Local School District, Putnam County (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kalida Local School District, Putnam County, as of June 30, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended June 30, 2004, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



**Betty Montgomery**  
Auditor of State

January 11, 2006

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004**

**UNAUDITED**

This discussion and analysis of the Kalida Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2004, within the limitations of the District's Other Comprehensive Basis of Accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$669,610, or 8.1% percent, a modest change from the prior year. This was not caused by any one particular fund, but a combination of all.

The District's general receipts totaled \$4,651,485, those being primarily property taxes and unrestricted state entitlements, were 85 percent of the total cash received during the fiscal year. Dependence on these two revenue sources is significant.

The district is building a new high school building through the Expedited Local Partnership Program, at a projected cost of 6.9 million dollars. This building project is scheduled for completion in November 2005, with a large portion of the work to be completed and expensed in 2005.

**Using this Annual Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's Other Comprehensive Basis of Accounting

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For Kalida Local School District, the General Fund and the Building Fund are the most significant funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. The District has elected to present its financial statements on another comprehensive basis of accounting. Under the District's other comprehensive basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
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As a result of using the other comprehensive basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the other comprehensive basis of accounting.

**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004, within the limitations of the other comprehensive basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may include, but not limited to, the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and required educational programs.

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

**Reporting the District's Most Significant Funds**

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

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

Governmental Funds - Most of the District activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
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separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2004 compared to fiscal year 2003 on another comprehensive basis of accounting.

**Table 1  
Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets:</b>		
Cash and Cash Equivalents	<u>\$7,619,338</u>	<u>\$8,288,948</u>
<b>Net Assets:</b>		
Restricted	6,714,395	7,370,690
Unrestricted	904,943	918,258
Total Net Assets	<u>\$7,619,338</u>	<u>\$8,288,948</u>

As mentioned previously, net assets of governmental activities decreased \$669,610 or 8.1 percent during fiscal year 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- The Building Project was in the beginning of construction, with contracts being issued and fulfilled, the balance in the building fund was shrinking.
- Increase in base salaries of 3% based on current negotiated agreements.
- Health benefits costs increased by 15%.

Table 2 reflects the changes in net assets in 2004. Since the District did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

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**Table 2  
Changes In Net Assets**

	Governmental Activities 2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$591,390
Operating Grants and Contributions	179,312
Capital Grants and Contributions	19,245
Total Program Receipts	789,947
General Receipts:	
Property Taxes Levied for General Purposes	1,362,284
Property Taxes Levied for Debt Service	419,582
Property Taxes Levied for Capital Outlay	58,006
Sale of Capital Assets	36
Grants and Entitlements Not Restricted to Specific Programs	2,723,698
Interest	87,044
Premium on Bond Issue	835
Total General Receipts	4,651,485
Total Receipts	5,441,432
Disbursements:	
Instruction:	
Regular	2,589,678
Special	193,749
Vocational	134,085
Other	5,568
Support Services:	
Pupil	172,029
Instructional Staff	210,123
Board of Education	20,811
Administration	429,193
Fiscal	189,098
Operation and Maintenance of Plant	345,296
Pupil Transportation	172,026
Operation of Non-Instructional Services	2,809
Food Services	195,419
Extracurricular Activities	232,295
Capital Outlay	800,488
Debt Service	418,375
Total Disbursements	6,111,042
Change in Net Assets	(669,610)
Net Assets, July 1	\$8,288,948
Net Assets, June 30	\$7,619,338

**KALIDA LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
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Program receipts represent 15 percent of total receipts and are primarily comprised of restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, food service sales and Ohio School Facilities Building Project Receipts.

As stated previously, general receipts represent 85 percent of the District's total receipts, and of this amount, over 58 percent is the result of unrestricted grants and entitlements which primarily represents State foundation resources. Property taxes basically make up the balance of the District's general receipts (40 percent). Other receipts, such as interest, are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 48 percent of all governmental disbursement. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 9 percent of governmental disbursements. Capital Outlay represents over 13 percent of all governmental disbursements. The District is in the beginning of building a new high school building, with the projected completion in the fall of 2005.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the descriptions of the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and capital outlay, which account for 48 and 13 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by state unrestricted entitlements and local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**KALIDA LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)

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**Table 3  
Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Current:		
Instruction:		
Regular	\$2,589,678	\$2,263,473
Special	193,749	111,583
Vocational	134,085	106,623
Other	5,568	5,568
Support Services:		
Pupil	172,029	172,029
Instructional Staff	210,123	210,123
Board of Education	20,811	20,811
Administration	429,193	429,193
Fiscal	189,098	189,098
Operation and Maintenance of Plant	345,296	345,296
Pupil Transportation	172,026	172,026
Operation of Non-Instructional Services	2,809	2,809
Operation of Food Services	195,419	11,920
Extracurricular Activities	232,295	126,658
Capital Outlay	800,488	781,243
Debt Service	418,375	372,642
Total Disbursements	<u>\$6,111,042</u>	<u>\$5,321,095</u>

The dependence upon property tax receipts and unrestricted state entitlements is apparent as over 85 percent of instructional activities are supported through these general receipts. However, it should be noted that special instruction activities are largely provided for through program receipts, by 42 percent. This is the result of operating grants and contributions restricted for special instruction purposes.

Over 94 percent of food services were covered by program receipts for fiscal year 2004. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Over 46 percent of extracurricular activities disbursements are covered by program receipts. This is the result of music and athletic fees, ticket sales, and gate receipts.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
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**The Government's Funds**

The District's governmental funds are accounted for using the other comprehensive basis of accounting. Total governmental funds had receipts of \$5,441,432 and disbursements of \$6,111,042.

General Fund receipts were less than disbursements by \$18,965 indicating that the General Fund is in a deficit spending situation. The board and administration are considering the placement of a levy on the ballot in the very near future.

**General Fund Budgeting Highlights**

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

During fiscal year 2004, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$4,842,440, were above actual receipts, in the amount of \$395,770. The difference between final budgeted receipts and actual receipts was 8 percent. This was the result of lower than anticipated intergovernmental revenues and property taxes.

Final disbursements were budgeted at \$5,466,040 while actual disbursements were \$4,551,398. The difference between final budgeted disbursements and actual disbursements was 17 percent. This was the result of lower than anticipated regular instruction disbursements.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At June 30, 2004, the District's outstanding debt included general obligation bonds, in the amount of \$6,759,995, issued for the building of a new High School Building. For further information regarding the District's debt, refer to Note 9 to the basic financial statements.

**Current Issues**

The challenge for all school districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes and has very little industry to support the tax base. The District's five year forecast predicts a deficit for 2008; therefore, the Board and the administration are considering the placement of a levy on the ballot in the near future.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)

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**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cynthia Webken, Treasurer, Kalida Local School District, P. O. Box 269, Kalida, Ohio 45853.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

*Statement of Net Assets - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$7,619,338</u></u>
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$6,388,821
Debt Service	113,975
Set Asides	1,135
Other Purposes	210,464
Unrestricted	<u>904,943</u>
 <i>Total Net Assets</i>	<u><u>\$7,619,338</u></u>

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

*Statement of Activities - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$2,589,678	\$326,205		(\$2,263,473)
Special	193,749		\$82,166	(111,583)
Vocational	134,085		27,462	(106,623)
Other	5,568			(5,568)
Support Services:				
Pupil	172,029			(172,029)
Instructional Staff	210,123			(210,123)
Board of Education	20,811			(20,811)
Administration	429,193			(429,193)
Fiscal	189,098			(189,098)
Operation and Maintenance of Plant	345,296			(345,296)
Pupil Transportation	172,026			(172,026)
Operation of Non-Instructional Services	2,809			(2,809)
Operation of Food Services	195,419	159,548	23,951	(11,920)
Extracurricular Activities	232,295	105,637		(126,658)
Capital Outlay	800,488		\$19,245	(781,243)
Debt Service	418,375		45,733	(372,642)
	<u>\$6,111,042</u>	<u>\$591,390</u>	<u>\$179,312</u>	<u>\$19,245</u>
<i>Total Governmental Activities</i>	<u>\$6,111,042</u>	<u>\$591,390</u>	<u>\$179,312</u>	<u>\$19,245</u>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				1,362,284
Debt Service				419,582
Capital Outlay				58,006
Grants and Entitlements not Restricted to Specific Programs				2,723,698
Sale of Capital Assets				36
Premium on Bond Issue				835
Interest				87,044
				<u>4,651,485</u>
				<i>Total General Receipts</i>
				4,651,485
				Change in Net Assets
				(669,610)
				<i>Net Assets Beginning of Year</i>
				<u>8,288,948</u>
				<i>Net Assets End of Year</i>
				<u>\$7,619,338</u>

See accompanying notes to the basic financial statements



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

*Statement of Assets and Fund Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004*

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$923,550	\$6,150,336	\$545,452	\$7,619,338
<b>Fund Balances</b>				
Reserved for Encumbrances	\$85,763	\$259,507	\$5,076	\$350,346
Reserved for Bus Purchases	17,472			17,472
Reserved for Textbooks	413			413
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	819,902			819,902
Special Revenue Funds			188,056	188,056
Debt Service Fund			113,850	113,850
Capital Projects Funds		5,890,829	238,470	6,129,299
<i>Total Fund Balances</i>	<i>\$923,550</i>	<i>\$6,150,336</i>	<i>\$545,452</i>	<i>\$7,619,338</i>

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004*

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$1,362,284		\$477,588	\$1,839,872
Intergovernmental	2,751,160		169,680	2,920,840
Interest	18,439	65,746	2,859	87,044
Tuition and Fees	283,717			283,717
Extracurricular Activities			105,637	105,637
Contributions and Donations			1,415	1,415
Charges for Services			159,548	159,548
Miscellaneous	31,070		11,418	42,488
<i>Total Receipts</i>	<u>4,446,670</u>	<u>65,746</u>	<u>928,145</u>	<u>5,440,561</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,537,980		51,698	2,589,678
Special	176,700		17,049	193,749
Vocational	134,085			134,085
Other Instruction	5,568			5,568
Support Services:				
Pupil	160,208		11,821	172,029
Instructional Staff	191,253		18,870	210,123
Board of Education	20,681	130		20,811
Administration	406,051		23,142	429,193
Fiscal	176,538		12,560	189,098
Operation and Maintenance of Plant	344,449		847	345,296
Pupil Transportation	172,026			172,026
Operation of Food Services	3,814		194,414	198,228
Extracurricular Activities	136,282		96,013	232,295
Capital Outlay		798,974	1,514	800,488
Debt Service:				
Principal Retirement			150,000	150,000
Interest and Fiscal Charges			268,375	268,375
<i>Total Disbursements</i>	<u>4,465,635</u>	<u>799,104</u>	<u>846,303</u>	<u>6,111,042</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,965)</u>	<u>(733,358)</u>	<u>81,842</u>	<u>(670,481)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets			36	36
Premium on Debt Issue			835	835
Transfers In			42,631	42,631
Transfers Out	(42,631)			(42,631)
<i>Total Other Financing Sources (Uses)</i>	<u>(42,631)</u>		<u>43,502</u>	<u>871</u>
<i>Net Change in Fund Balances</i>	<u>(61,596)</u>	<u>(733,358)</u>	<u>125,344</u>	<u>(669,610)</u>
<i>Fund Balances Beginning of Year</i>	<u>985,146</u>	<u>6,883,694</u>	<u>420,108</u>	<u>8,288,948</u>
<i>Fund Balances End of Year</i>	<u>\$923,550</u>	<u>\$6,150,336</u>	<u>\$545,452</u>	<u>\$7,619,338</u>

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

*Statement of Receipts, Disbursements and Changes In Fund Balance, Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$1,414,231	\$1,414,231	\$1,362,284	(\$51,947)
Intergovernmental	3,051,049	3,051,049	2,751,160	(299,889)
Interest	50,060	50,060	18,439	(31,621)
Tuition and Fees	305,000	305,000	283,717	(21,283)
Miscellaneous	22,100	22,100	31,070	8,970
<i>Total receipts</i>	<u>4,842,440</u>	<u>4,842,440</u>	<u>4,446,670</u>	<u>(395,770)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,743,400	\$3,301,400	2,574,041	727,359
Special	212,958	212,958	177,900	35,058
Vocational	124,131	126,131	134,131	(8,000)
Other	1,496	1,496	5,568	(4,072)
Support Services:				
Pupil	210,681	210,681	160,208	50,473
Instructional Staff	204,291	208,291	197,782	10,509
Board of Education	25,045	25,045	30,615	(5,570)
Administration	395,708	399,708	411,594	(11,886)
Fiscal	181,635	181,635	177,364	4,271
Operation and Maintenance of Plant	369,318	421,318	353,582	67,736
Pupil Transportation	186,755	236,755	188,309	48,446
Operation of Non-Instructional Services			3,814	(3,814)
Extracurricular Activities	140,421	140,421	136,490	3,931
Capital Outlay	201	201		201
<i>Total Disbursements</i>	<u>4,796,040</u>	<u>5,466,040</u>	<u>4,551,398</u>	<u>914,642</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	46,400	(623,600)	(104,728)	518,872
<b>Other Financing Uses</b>				
Transfers Out	(84,941)	(84,941)	(42,631)	42,310
<i>Net Change in Fund Balance</i>	(38,541)	(708,541)	(147,359)	561,182
<i>Fund Balance Beginning of Year</i>	931,142	931,142	931,142	
Prior Year Encumbrances Appropriated	54,004	54,004	54,004	
<i>Fund Balance End of Year</i>	<u><u>\$946,605</u></u>	<u><u>\$276,605</u></u>	<u><u>\$837,787</u></u>	<u><u>\$561,182</u></u>

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

*Statement of Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2004*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$42,014	\$46,483
<b>Net Assets</b>		
Held in Trust for Scholarship	\$42,014	
Held for Student Activities		\$46,483

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

*Statement of Changes in Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
For the Year Ended June 30, 2004*

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$428
Contributions	1,321
<i>Total Additions</i>	<u>1,749</u>
<b>Deductions</b>	
Scholarships	<u>1,500</u>
Change in Net Assets	249
Net Assets - Beginning of Year	<u>41,765</u>
Net Assets - End of Year	<u><u>\$42,014</u></u>

See accompanying notes to the basic financial statements

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**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Kalida Local School District (The District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

A locally-elected five-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's two instructional/support facilities staffed by 52 classified employees, 25 certificated full-time personnel, and 5 administrators who provide services to 740 students and other community members.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

Under the modified-cash basis of accounting, the Government does not report assets for equity interests in joint ventures. The District has no joint ventures.

The District participates in 2 jointly governed organizations and 3 public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 6 and 15 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Vantage Career Center  
Northwest Ohio Area Computer Services Cooperative

Public Entity Risk Pool:

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

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

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**A. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

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

**General Fund** The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

**Building Fund** The building fund accounts for resources received from a local bond issue restricted to constructing and equipping a new high school building.

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

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

**B. Basis of Presentation**

The District's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

**Government-wide Financial Statement of Activities:** This statement displays information about the District as a whole, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the District's general receipts.

**Fund Financial Statements:** Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

***C. Cash, Cash Equivalents and Investments***

The District deposits and invests cash from all funds in a common pool. The financial statements present each fund's share of interest in the pool as *equity in pooled cash and cash equivalents* on the financial statements.

The District's investments were limited to STAR Ohio. The District values investments at market value. For presentation on the financial statements, the District classifies investments of the cash management pool as cash equivalents.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2004 was \$18,439, including \$5,448 assigned from other District funds.

***D. Restricted Assets***

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. The District reported no restricted assets.

***E. Inventory and Prepaid Items***

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

***F. Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

***G. Compensated Absences***

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

***H. Long-term Obligations***

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

***I. Fund Balance and Reserves***

The District reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has fund balance reserves for encumbrances, school bus purchases, and instructional materials and textbooks.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

***J. Net Assets***

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

***K. Interfund Activity***

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

***L. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

***M. Budgetary Data***

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Education uses the fund total level as its legal level of control,

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING AND COMPLIANCE**

***A. Budgetary***

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING AND COMPLIANCE – (Continued)**

comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$85,763 in the general fund.

**B. Compliance**

The District did not certify some disbursements as required by Ohio Revised Code Section 5705.41(D).

There were six funds during the year with expenditures exceeding appropriations at the legal level of control in amounts ranging from \$454 to \$509,256.

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

**NOTE 4- DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4- DEPOSITS AND INVESTMENTS – (Continued)**

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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

Investments may only be made through specified dealers and institutions. 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.

**Undeposited Cash:** At year-end, the District had \$1,827 in undeposited cash on hand, included as part of *Equity in pooled cash and cash equivalents*.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions and Investments.

**Deposits:** At year-end, the carrying amount of the District's deposits was \$2,618,652 and the bank balance was \$2,644,112. Of the bank balance, \$400,000 was covered by federal depository insurance and \$2,242,838 was covered by securities held by the pledging financial institution's trust department in the District's name. The remaining balance was uninsured and uncollateralized. Although all state statutory requirements for the depository of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Investments:** Investments to indicate the level of counterparty credit risk the District assumed at year end. Category one includes investments insured or registered or for which District or its agent holds the securities in the District's name. Category two includes uninsured and unregistered investments for which the counterparty's trust department or an agent holds securities in the District's name. Category three includes uninsured and unregistered investments for which the counterparty or its trust department or agent holds securities not in the District's name. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form. At June 30, 2004, the fair value of funds on deposit with STAR Ohio was \$5,087,356.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market 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.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2004 was \$110,721 in the general fund, \$32,863 in the debt service fund, and \$4,842 in the permanent improvement capital projects fund.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 5 - PROPERTY TAXES – (Continued)**

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$47,085,170	81.98%	\$48,473,350	82.26%
Public Utility Personal	2,717,060	4.73%	2,876,420	4.88%
Tangible Personal Property	7,634,010	13.29%	7,576,146	12.86%
<b>Total</b>	<b>\$57,436,240</b>	<b>100.00%</b>	<b>\$58,925,916</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$42.14		\$42.04	

**NOTE 6 – RISK MANAGEMENT**

**A. Risk Pool Membership**

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 65 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the Kalida Local District's policy. SORSA covers the following risks:

- General liability
- Commercial liability
- Employee Benefits Liability
- School Leaders Errors and Omissions
- Sexual Misconduct
- Commercial umbrella; and
- Vehicle.

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

The District paid \$27,812 in premiums to the pool for fiscal year 2004 coverage, of which \$16,877 was paid during FY03 and \$10,935 was paid during in FY04 to bring the coverage ending date to June 30<sup>th</sup>. In future years premiums paid to the pool will cover the current fiscal year.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.  
OSBA Building  
8050 North High Street  
Columbus, Ohio 43235-6483

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 6 – RISK MANAGEMENT – (Continued)**

***B. Employee Medical Benefits***

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

***C. Workers' Compensation***

For fiscal year 2004 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a financial report, obtainable by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members must contribute 10 percent of their annual covered salary and the District must contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution funds pension obligations with the remainder used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$44,177, \$39,617 and \$25,224 respectively; 41.68 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

***B. State Teachers Retirement System***

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a financial report, obtainable by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771 or by calling (614) 227-4090.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – (Continued)**

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$311,534, \$295,926, and \$216,150 respectively; 83.93 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 8- POSTEMPLOYMENT BENEFITS**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$49,263

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available),



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 8- POSTEMPLOYMENT BENEFITS – (Continued)**

were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

The 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$23,964 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

**NOTE 9 – DEBT**

The changes in the District's debt obligations during the year consist of the following:

	Debt		Debt		Amounts Due in One Year
	Outstanding	Reductions	Outstanding	6/30/04	
	6/30/03		6/30/04		
<b>Governmental Activities</b>					
Asbestos Abatement Note	\$11,290	\$5,000	\$6,290		\$5,000
General Obligation Bonds	6,904,995	145,000	6,759,995		170,000
Capital Lease	29,758		29,758		29,758
Total	<u>\$6,946,043</u>	<u>\$150,000</u>	<u>\$6,796,043</u>		<u>\$204,758</u>

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

The School Facilities Construction and Improvement Bonds were issued after approval by the electors of the District during fiscal year 2003 with final maturity in fiscal year 2031. The original amount of the bonds issued was \$6,904,995 at a rate of 2-16.952% for the purpose of constructing, including construction additions, renovating, and improving school buildings and facilities, including space for school and community use, health and safety upgrades and improves access for the disabled; furnishing and equipping the same, including science equipment and technology for classroom instruction; landscaping and improving the sites thereof, the acquiring land and interest in land, and retiring notes previously issued for such purpose.

The District is participating in the Expedited Local Partnership Program of the Ohio School Facilities Commission, under which the State will fund a percentage of the District's future facilities needs after the issuance of bonds.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 9 – DEBT – (Continued)**

Principal and interest requirements to retire debt obligations outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	Notes	Total
2005	\$435,225	\$5,000	\$440,225
2006	436,775	1,290	438,065
2007	438,225		438,225
2008	439,575		439,575
2009	437,725		437,725
2010 – 2014	2,177,739		2,177,739
2015 – 2019	2,177,780		2,177,780
2020 – 2024	2,169,108		2,169,108
2025 – 2029	2,154,381		2,154,381
2030 – 2031	<u>859,010</u>		<u>859,010</u>
Total	<u>\$11,725,543</u>	<u>\$6,290</u>	<u>\$11,731,833</u>

**NOTE 10 - LEASES**

**Operating Lease**

The District rents the elementary school building from the St. Michael's parish. The current lease runs from August 1, 2001 to July 31, 2006, at an annual rate of \$90,000. The District fully intends to renew the lease until OFSC funding is available for a new elementary building.

**Capital Lease**

The District leases computer equipment from Apple computer, Inc. The lease term is from July 15, 2002, through July 15, 2004, at an annual rate of \$31,529. Future lease payments are as follows:

Year ending June 30:	Amount
2005	\$31,529
Less: Interest	<u>1,771</u>
Present value of minimum payments	<u>\$29,758</u>

**NOTE 11 - SET-ASIDE CALCULATIONS**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 11 - SET-ASIDE CALCULATIONS – (Continued)**

	Capital Improvements	Textbooks
Set-aside Reserve Balance June 30, 2003	\$34,957	\$43,378
Current Year Set Aside Requirement	100,327	100,327
Current Year Offsets	(135,284)	
Qualifying Expenditures		(142,570)
Set-aside Reserve Balance June 30, 2004	\$0	\$1,135

The District had a qualifying disbursements and offsets that reduced the capital improvements set-aside required amount below zero. This amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years. At June 30, 2004, \$722 of the textbook set-aside balance is recorded as a reserve for encumbrance.

**NOTE 12- INTERFUND TRANSFERS**

Interfund cash transfers for the year ended June 30, 2004 were as follows:

	Transfer From: General
Transfer to:	
<i>Governmental Activities</i>	
EMIS Fund (432 0000)	\$6,980
Severance Fund (035 0000)	35,651
<i>Total</i>	\$42,631

The District transferred cash to EMIS fund due to a deficit in the States funding in this mandate and cash to the Severance fund to cover payments to employees eligible to retire.

**NOTE 13 – CONTRACTUAL COMMITMENTS**

At June 30, 2004 the District had \$251,467 in contractual commitments for various improvements within the District.

Purpose	Contractor	Amount
Construction of new high school	Miller Contracting Group, Inc	\$104,440
	Beilharz Architects, Inc	147,027
	Total	\$251,467

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 14 – CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2004, will not have a material adverse effect on the District.

**B. Litigation**

Kalida Local School District is not a party to legal proceedings.

**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS**

**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 participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information contact the Vantage Career Center, Lori Davis, Treasurer, 818 N. Franklin St., Van Wert, OH 45891-1304.

**Northwest Ohio Area Computer Service Cooperative**

The District is a participant in the Northwest Ohio Area Computer Service Cooperative (NOACSC), a not-for-profit computer service organization. NOACSC is an association of public Districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Van Wert and Wood Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and electronic equipment to administrative and instructional functions among member districts.

The governing board of NOACSC consists of two representatives each county elected by majority vote of all charter member Districts within each county and one representative from the fiscal agent District. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 S. Main St., Lima, OH 45804.

**NOTE 16 – STATE SCHOOL FUNDING DECISION**

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “. . . The Ohio General Assembly to enact a school-funding scheme that is thorough and efficient . . .” The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NOTE 17 – SUBSEQUENT EVENTS**

In May 2005, District residents approved a 1% income tax levy for general operations, with collections to begin in January, 2006.



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kalida Local School District, Putnam County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 11, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 11, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed

Kalida Local School District  
Putnam County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by Government Auditing Standards.

Page 2

instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001, 2004-002 and 2004-003.

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

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

**Betty Montgomery**  
Auditor of State

January 11, 2006

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Noncompliance Citation**

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

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

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

**FINDING NUMBER 2004-002  
(Continued)**

**2. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-five percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board. To improve controls over disbursements, we recommend all District disbursements received prior certification of the Treasurer. We also recommend the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Treasurer and recorded against appropriations.

**FINDING NUMBER 2004-003**

**Noncompliance Citation**

**Ohio Revised Code § 5705.41 (B)** states in part that no subdivision is to expend money unless it has been appropriated as provided in this chapter. Although there were no instances of expenditures exceeding appropriations at year end, there were six funds during the year with expenditures exceeding appropriations at the legal level of control in amounts ranging from \$454 to \$509,256.

The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	<b>OAC §117-2-3(B)</b> reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2004-001.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 9, 2006**