



**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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Mary Taylor, CPA

Auditor of State

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, Ohio (the District), as of and for the year ended June 30, 2006, 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 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kalida Local School District, Putnam County, Ohio, as of June 30, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and Severance Funds, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2008, 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.

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

Mary Taylor, CPA
Auditor of State

January 30, 2008

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED**

This discussion and analysis of 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, 2006, within the limitations of the District's cash 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 2006 are as follows:

- Net assets of governmental activities decreased \$2,638,930, or 69.63 percent, a significant change from the prior year. This was caused primarily by the progress of the new high school building, which was in the height of construction during the fiscal year ended June 30, 2005. At a cost of approximately 6.9 million dollars, this building project was completed in November 2005 and being utilized by students starting in January of 2006.
- The District's general receipts totaled \$5,024,762, those being primarily property taxes and unrestricted state entitlements, and were 84.75 percent of the total cash received during the fiscal year. Dependence on these two revenue sources is significant.

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 cash 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 Severance Fund, Bond Retirement Fund, Permanent Improvement 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 the cash basis of accounting. Under the District's cash 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.

**KALIDA LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

As a result of using the cash 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 cash 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 2006, within the limitations of the cash 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 for fiscal year 2006 are the General Fund, Severance Fund, Bond Retirement Fund, Permanent Improvement 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 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.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The District's major governmental funds are the General Fund, Severance Fund, Bond Retirement Fund, Permanent Improvement 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 2006 compared to fiscal year 2005 on the cash basis of accounting.

**(Table 1)
Net Assets**

	Governmental Activities	
	2006	2005
Assets:		
Cash and Cash Equivalents	\$1,151,179	\$3,790,109
Net Assets:		
Restricted	770,627	3,141,669
Unrestricted	380,552	648,440
Total Net Assets	\$1,151,179	\$3,790,109

As mentioned previously, net assets of governmental activities decreased \$2,638,930, or 69.63 percent, a significant change from the prior year. The primary reasons contributing to the decreases in cash balances are as follows:

- The Building Project was in the height of construction in fiscal year 2005. 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 approximately 5%.

**KALIDA LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets from the prior year:

(Table 2)
Changes In Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$524,892	\$551,743
Operating Grants and Contributions	125,636	148,405
Capital Grants and Contributions	253,367	6,784
Total Program Receipts	<u>903,895</u>	<u>706,932</u>
General Receipts:		
Property Taxes Levied for General Purposes	1,455,325	1,364,893
Property Taxes Levied for Debt Service	413,932	411,183
Property Taxes Levied for Capital Outlay	60,507	58,075
Income Taxes Levied for General Purposes	55,636	
Sale of Capital Assets	20	
Grants and Entitlements Not Restricted to Specific Programs	2,890,121	2,823,827
Interest	87,906	123,566
Miscellaneous	61,315	306,088
Total General Receipts	<u>5,024,762</u>	<u>5,087,632</u>
Total Receipts	<u>5,928,657</u>	<u>5,794,564</u>
Disbursements:		
Instruction:		
Regular	2,895,075	2,734,854
Special	214,697	217,393
Vocational	81,258	155,313
Other	11,234	6,255
Support Services:		
Pupil	187,929	128,821
Instructional Staff	234,125	228,824
Board of Education	45,614	26,785
Administration	451,289	485,441
Fiscal	192,393	180,447
Operation and Maintenance of Plant	453,107	378,256
Pupil Transportation	190,370	205,940
Central	763	1,260
Food Services	224,753	203,189
Extracurricular Activities	259,024	233,576
Capital Outlay	2,687,891	3,997,014
Debt Service	438,065	440,225
Total Disbursements	<u>8,567,587</u>	<u>9,623,593</u>
Decrease in Net Assets	(2,638,930)	(3,829,029)
Transfers		(200)
Net Assets, July 1	<u>3,790,109</u>	<u>7,619,338</u>
Net Assets, June 30	<u>\$1,151,179</u>	<u>\$3,790,109</u>

**KALIDA LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
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(Continued)**

Program receipts represent 15.25 percent of total receipts and are primarily comprised of restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities and food service sales.

As stated previously, general receipts represent 84.75 percent of the District's total receipts, and of this amount, over 57.52 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 (38.41 percent). Other receipts, such as income tax, interest, donations, and rent are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 37.38 percent of all governmental disbursements. All other programs which support the instruction process, including pupils, instructional staff, administration, fiscal, maintenance, food service, extracurricular activities and pupil transportation account for approximately 26.14 percent of governmental disbursements. Capital Outlay represents over 31.37 percent of all governmental disbursements due to the Building Project, while Debt Service accounts for 5.11 percent.

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 37.38 and 31.37 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.

**KALIDA LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
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(Continued)**

A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2006</u>	Net Cost of Services <u>2005</u>
Current:				
Instruction:				
Regular	\$2,895,075	\$2,734,854	\$2,629,925	\$2,468,887
Special	214,697	217,393	168,730	141,327
Vocational	81,258	155,313	41,271	128,945
Other	11,234	6,255	11,234	6,255
Support Services:				
Pupil	187,929	128,821	187,929	128,821
Instructional Staff	234,125	228,824	234,125	228,824
Board of Education	45,614	26,785	45,614	26,785
Administration	451,289	485,441	451,289	485,441
Fiscal	192,393	180,447	192,393	180,447
Operation and Maintenance of Plant	453,107	378,256	453,107	378,256
Pupil Transportation	190,370	205,940	190,370	205,940
Central	763	1,260	763	1,260
Operation of Food Services	224,753	203,189	17,518	7,119
Extracurricular Activities	259,024	233,576	166,835	143,870
Capital Outlay	2,687,891	3,997,014	2,434,524	3,990,230
Debt Service	438,065	440,225	438,065	394,254
Total Disbursements	<u>\$8,567,587</u>	<u>\$9,623,593</u>	<u>\$7,663,692</u>	<u>\$8,916,661</u>

The dependence upon property tax receipts and unrestricted state entitlements is apparent as over 89.04 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 21.41 percent. This is the result of operating grants and contributions restricted for special instruction purposes.

92.21 percent of food services were covered by program receipts for fiscal year 2006. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. 35.59 percent of extracurricular activities disbursements are covered by program receipts. This is the result of music and athletic fees, ticket sales and gate receipts.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of \$5,928,657 and disbursements of \$8,567,587. General Fund receipts were less than disbursements by \$214,749 indicating that the General Fund is in a deficit spending situation. Because this has been the trend of the past, the board placed a 1% continuing income tax issue on the May 2005 ballot, and it successfully passed. Collection started in January 2006.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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 2006, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$5,048,330, were above actual receipts, in the amount of \$313,795. The difference between final budgeted receipts and actual receipts was 6 percent. This was the result of lower than anticipated intergovernmental receipts.

Final disbursements were budgeted at \$5,506,579 while actual disbursements were \$4,956,373. The difference between final budgeted disbursements and actual disbursements was 10 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 cash basis of accounting statements, however the District does track capital assets through the state provided software program.

Debt

At June 30, 2006, the District's outstanding debt included general obligation bonds, in the amount of \$6,414,995, issued for the building of a new High School Building. For further information regarding the District's debt, refer to Note 11 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 2010; therefore, the board and the administration are watching expenditures very closely.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cynthia Webken, Treasurer, Kalida Local School District, P. O. Box 269, Kalida, Ohio 45853-0269.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

*Statement of Net Assets - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2006*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$1,151,179</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$417,201
Debt Service	140,680
Set Asides	22,179
Other Purposes	190,567
Unrestricted	<u>380,552</u>
<i>Total Net Assets</i>	<u><u>\$1,151,179</u></u>

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

*Statement of Activities - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2006*

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$2,895,075	\$265,150			(\$2,629,925)
Special	214,697		\$45,967		(168,730)
Vocational	81,258		39,987		(41,271)
Other	11,234				(11,234)
Support Services:					
Pupil	187,929				(187,929)
Instructional Staff	234,125				(234,125)
Board of Education	45,614				(45,614)
Administration	451,289				(451,289)
Fiscal	192,393				(192,393)
Operation and Maintenance of Plant	453,107				(453,107)
Pupil Transportation	190,370				(190,370)
Central	763				(763)
Operation of Food Services	224,753	167,553	39,682		(17,518)
Extracurricular Activities	259,024	92,189			(166,835)
Capital Outlay	2,687,891			\$253,367	(2,434,524)
Debt Service	438,065				(438,065)
Total Governmental Activities	8,567,587	524,892	125,636	253,367	(7,663,692)
General Receipts					
Property Taxes Levied for:					
					1,455,325
					413,932
					60,507
					55,636
					2,890,121
					20
					87,906
					61,315
					5,024,762
					(2,638,930)
					3,790,109
					\$1,151,179

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

*Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2006*

	<u>General</u>	<u>Severance</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Equity in Pooled Cash and Cash Equivalents	\$406,899	\$126,409	\$140,680	\$339,202	\$77,999	\$37,811	\$1,129,000
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	22,179						22,179
Total Assets	<u>\$429,078</u>	<u>\$126,409</u>	<u>\$140,680</u>	<u>\$339,202</u>	<u>\$77,999</u>	<u>\$37,811</u>	<u>\$1,151,179</u>
Fund Balances							
Reserved for Encumbrances	\$16,089			\$5,515	\$11,198	\$20,594	\$53,396
Reserved for Bus Purchases	26,347						26,347
Reserved for Capital Improvements	22,179						22,179
Unreserved:							
Undesignated, Reported in:							
General Fund	364,463						364,463
Special Revenue Funds		\$ 126,409				17,217	143,626
Debt Service Fund			\$ 140,680				140,680
Capital Projects Funds				333,687	66,801		400,488
Total Fund Balances	<u>\$429,078</u>	<u>\$126,409</u>	<u>\$140,680</u>	<u>\$339,202</u>	<u>\$77,999</u>	<u>\$37,811</u>	<u>\$1,151,179</u>

See accompanying notes to the basic financial statements

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**KALIDA LOCAL SCHOOL
PUTNAM COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2006*

	General	Severance	Bond Retirement
Receipts			
Property Taxes	\$1,455,325		\$413,932
Income Taxes	55,636		
Intergovernmental	2,856,102		54,152
Interest	43,087		
Tuition and Fees	265,150		
Extracurricular Activities			
Contributions and Donations			
Charges for Services			
Miscellaneous	59,235		
<i>Total Receipts</i>	4,734,535		468,084
Disbursements			
Current:			
Instruction:			
Regular	2,820,993	\$15,651	
Special	197,635		
Vocational	81,258		
Other Instruction	11,234		
Support Services:			
Pupil	173,170		
Instructional Staff	221,739		
Board of Education	44,778		
Administration	442,539		
Fiscal	180,696		10,168
Operation and Maintenance of Plant	430,269		
Pupil Transportation	189,152	609	
Central	763		
Operation of Food Services			
Extracurricular Activities	152,708		
Capital Outlay	2,350		
Debt Service:			
Principal Retirement			176,290
Interest and Fiscal Charges			261,775
<i>Total Disbursements</i>	4,949,284	16,260	448,233
<i>Excess of Receipts Over (Under) Disbursements</i>	(214,749)	(16,260)	19,851
Other Financing Sources (Uses)			
Sale of Capital Assets			
Transfers In		21,907	
Transfers Out	(33,407)		
Advances In	1,805		
Advances Out			
<i>Total Other Financing Sources (Uses)</i>	(31,602)	21,907	
<i>Net Change in Fund Balances</i>	(246,351)	5,647	19,851
<i>Fund Balances Beginning of Year</i>	675,429	120,762	120,829
<i>Fund Balances End of Year</i>	\$429,078	\$126,409	\$140,680

See accompanying notes to the basic financial statements

Permanent Improvement	Building	Other Governmental Funds	Total Governmental Funds
\$60,507			\$1,929,764
			55,636
7,677		\$104,994	3,022,925
13,991	\$28,179	2,649	87,906
			265,150
		92,189	92,189
	246,199		246,199
		167,553	167,553
		2,080	61,315
<u>82,175</u>	<u>274,378</u>	<u>369,465</u>	<u>5,928,637</u>
936	31,129	26,366	2,895,075
		17,062	214,697
			81,258
			11,234
		14,759	187,929
		12,386	234,125
	836		45,614
		8,750	451,289
1,529			192,393
22,838			453,107
		609	190,370
			763
		224,753	224,753
		106,316	259,024
211,382	2,474,159		2,687,891
			176,290
			261,775
<u>236,685</u>	<u>2,506,124</u>	<u>411,001</u>	<u>8,567,587</u>
<u>(154,510)</u>	<u>(2,231,746)</u>	<u>(41,536)</u>	<u>(2,638,950)</u>
20			20
		11,500	33,407
			(33,407)
			1,805
		(1,805)	(1,805)
<u>20</u>	<u></u>	<u>9,695</u>	<u>20</u>
(154,490)	(2,231,746)	(31,841)	(2,638,930)
493,692	2,309,745	69,652	3,790,109
<u>\$339,202</u>	<u>\$77,999</u>	<u>\$37,811</u>	<u>\$1,151,179</u>

**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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property Taxes	\$1,513,357	\$1,513,357	\$1,455,325	(\$58,032)
Income Tax			55,636	55,636
Intergovernmental	3,506,000	3,506,000	2,856,102	(649,898)
Interest		28,973	43,087	14,114
Tuition and Fees			265,150	265,150
Miscellaneous			59,235	59,235
<i>Total receipts</i>	<u>5,019,357</u>	<u>5,048,330</u>	<u>4,734,535</u>	<u>(313,795)</u>
Disbursements				
Current:				
Instruction:				
Regular	2,939,316	3,167,588	2,825,624	341,964
Special	191,045	241,045	199,099	41,946
Vocational	137,917	137,917	81,355	56,562
Other	466	2,194	11,235	(9,041)
Support Services:				
Pupil	118,737	118,737	173,520	(54,783)
Instructional Staff	236,217	236,217	221,819	14,398
Board of Education	36,468	41,468	46,201	(4,733)
Administration	456,068	456,068	445,326	10,742
Fiscal	178,139	198,139	181,315	16,824
Operation and Maintenance of Plant	375,729	495,730	434,633	61,097
Pupil Transportation	240,889	260,889	189,152	71,737
Central			763	(763)
Operation of Non-Instructional Services	5,000	5,000		5,000
Extracurricular Activities	145,587	145,587	152,981	(7,394)
Capital Outlay			2,350	(2,350)
<i>Total Disbursements</i>	<u>5,061,578</u>	<u>5,506,579</u>	<u>4,965,373</u>	<u>541,206</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(42,221)</u>	<u>(458,249)</u>	<u>(230,838)</u>	<u>227,411</u>
Other Financing Sources (Uses)				
Transfers Out			(33,407)	(33,407)
Advances In			1,805	1,805
<i>Total Other Financing Sources (Uses)</i>			<u>(31,602)</u>	<u>(31,602)</u>
<i>Net Change in Fund Balance</i>	(42,221)	(458,249)	(262,440)	195,809
<i>Fund Balance Beginning of Year</i>	633,210	633,210	633,210	
Prior Year Encumbrances Appropriated	42,219	42,219	42,219	
<i>Fund Balance End of Year</i>	<u>\$633,208</u>	<u>\$217,180</u>	<u>\$412,989</u>	<u>\$195,809</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
Severance Fund*

For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Disbursements				
Current:				
Instruction:				
Regular	\$40,000	\$120,000	\$15,651	\$104,349
Pupil Transportation			609	(609)
<i>Total Disbursements</i>	<u>40,000</u>	<u>120,000</u>	<u>16,260</u>	<u>103,740</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(40,000)</u>	<u>(120,000)</u>	<u>(16,260)</u>	<u>103,740</u>
Other Financing Sources				
Transfers In	<u>40,000</u>	<u>40,000</u>	<u>21,907</u>	<u>(18,093)</u>
<i>Net Change in Fund Balance</i>		(80,000)	5,647	85,647
<i>Fund Balance Beginning of Year</i>	<u>120,762</u>	<u>120,762</u>	<u>120,762</u>	
<i>Fund Balance End of Year</i>	<u><u>\$120,762</u></u>	<u><u>\$40,762</u></u>	<u><u>\$126,409</u></u>	<u><u>\$85,647</u></u>

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

*Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006*

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$41,985</u>	<u>\$67,235</u>
Net Assets		
Held in Trust for Scholarship	<u>\$41,985</u>	
Held for Student Activities		<u>\$67,235</u>

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

*Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006*

	Private Purpose Trust
Additions	
Interest	\$1,714
Contributions	1,350
<i>Total Additions</i>	3,064
Deductions	
Scholarships	3,000
Change in Net Assets	64
Net Assets - Beginning of Year	41,921
Net Assets - End of Year	\$41,985

See accompanying notes to the basic financial statements

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE 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 21 FTE (full time equivalent) classified employees, 48 certificated FTE personnel, and 5 administrators who provide services to 715 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 cash basis of accounting, the District does not report assets for equity interests in joint ventures. The District has no joint ventures.

The District participates in two jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because The District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 8 and 17 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Vantage Career Center
Northwest Ohio Area Computer Service 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 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.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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.

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.

Severance Fund: The severance fund is used accumulate cash for paying termination benefits to employees who are eligible to retire.

Bond Retirement Fund: The bond retirement fund provides for the retirement of serial bonds and short term loans.

Permanent Improvement Fund: The permanent improvement fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by O.R.C Chapter 5705.

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 funds account 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.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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.

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 2006 was \$43,087, including \$33,456 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. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for capital improvements. See Note 13 for additional information regarding the set-asides.

E. Inventory and Prepaid Items

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

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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 cash basis of accounting.

H. Long-term Obligations

These 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 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 capital purchases.

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.

The statements report interfund loans as advances when made or repaid.

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 2006.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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 tax budget, 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 tax budget demonstrates a need for existing or increased tax rates. 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

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 and the Severance Fund, a major Special Revenue Fund, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$16,089 in the General Fund. There were no outstanding year end encumbrances in the Severance Fund.

NOTE 4 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on the 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 District can be fined and various other administrative remedies may be taken against the District.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 5- DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 5- DEPOSITS AND INVESTMENTS – (Continued)

Undeposited Cash: At year-end, the District had \$7,436 in undeposited cash on hand, included as part of *Equity in pooled cash and cash equivalents*.

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$280,850 of the District's bank balance of \$680,850 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust departments or agent. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments: At June 30, 2006, the District had investments with STAR Ohio with a carrying value of \$615,672.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

NOTE 6 - 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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This amount will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. 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, 2006, are available to finance fiscal year 2006 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, 2006 was \$113,570 in the General Fund, \$31,717 in the Debt Service Fund, and \$4,470 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$49,748,350	83.20%	\$54,919,760	87.07%
Public Utility	3,004,950	5.03%	3,103,960	4.92%
Tangible Personal Property	<u>7,043,250</u>	<u>11.77%</u>	<u>5,050,695</u>	<u>8.01%</u>
Total Assessed Value	<u>\$59,796,550</u>	<u>100.00%</u>	<u>\$63,074,415</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 41.50		\$ 40.90	

NOTE 7 - INTERFUND BALANCES

The District had no unpaid cash advances at fiscal year end.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 8 – RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 75 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the Kalida Local School 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 \$25,553 in premiums to the pool for fiscal year 2006 coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street, Suite 160
Columbus, Ohio 43235-6483

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 2006 The District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for The District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 – 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 publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution funds pension obligations with the remainder used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 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, 2006, 2005 and 2004 were \$55,110, \$54,365, and \$44,177 respectively; 46.22 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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 stand-alone financial report, obtainable by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC plan or the Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – (Continued)

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, 2006, 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, 2006, 2005, and 2004, were \$336,722, \$338,129, and \$311,534 respectively; 83.43 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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, 2006, two of the Board of Education members have elected Social Security. The board's liability is 6.2 percent of wages paid.

NOTE 10 - POST-EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired classified 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 obligation 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.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$17,815 for 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available) the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 10 - POST-EMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. 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 2006, the minimum pay was established at \$35,800. The surcharge added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the 2006 fiscal year, District paid \$53,615 to fund health care benefits, including the surcharge.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 (the latest information available), were \$158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295,561,933. The number of participants eligible to receive benefits is 59,492.

NOTE 11 – DEBT

The changes in The District's long-term obligations during the year consist of the following:

	Debt Outstanding 6/30/2005	Reductions	Debt Outstanding 6/30/2006	Amounts Due in One Year
Governmental Activities				
Asbestos Abatement Note	\$1,290	\$1,290		
General Obligation Bonds	6,589,995	175,000	\$6,414,995	\$180,000

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 concluded 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% to 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 improved 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.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 11 – DEBT – (Continued)

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.

Principal and interest requirements to retire debt obligations at June 30, 2006, are as follows:

Fiscal Year ending June 30	General Obligation Bonds
2007	\$438,225
2008	439,575
2009	437,725
2010	437,725
2011	434,811
2012-2016	2,176,005
2017-2021	2,176,700
2022-2026	2,164,539
2027-2031	2,148,238
	\$10,853,543

NOTE 12 – 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 \$90,000.00. The District fully intends to renew the lease until the Ohio School Facilities Commission (OSFC) builds a new elementary building.

NOTE 13 - SET-ASIDE CALCULATIONS

State statute annually requires The District to set aside in the General Fund an amount based on a statutory formula to 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, 2006
(Continued)**

NOTE 13 - SET-ASIDE CALCULATIONS – (Continued)

	Capital Improvements	Textbooks
Set-aside Reserve balance as of June 30, 2005	\$ 1,509	\$ 1,939
Current year set-aside requirements	102,478	102,478
Current Year off-sets	(66,253)	
Qualifying Disbursements	(15,555)	(107,389)
Total	22,179	(2,972)
Set-aside Reserve balance as of June 30, 2006	\$ 22,179	\$

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

NOTE 14 – INTERFUND TRANSFERS

Interfund cash transfers for the year ended June 30, 2006 were as follows:

	Transfer From <u>General Fund</u>
Transfer to:	
<i>Governmental Activities:</i>	
EMIS Fund (432-0000)	\$11,500
Severance Fund (035-0000)	21,907
<i>Total</i>	\$33,407

NOTE 15 – CONTRACTUAL COMMITMENTS

At June 30, 2006, the District had the following contractual commitments for the construction of the new High School:

Contractor	Total Outstanding Contractual Commitments
Mel Lanzer Company	\$3,844
Area Energy and Electric	3,197
Total outstanding contractual commitments as of June 30, 2006	\$7,041

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 16 - 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, 2006 will not have a material adverse effect on the District.

B. Litigation

The District is not a party to legal proceedings

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. 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 a representative from each participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information contact the Vantage Career Center, Treasurer, 818 N. Franklin Street, Van Wert Ohio 45891-1304

B. 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. Mary's 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 district.

The governing board of NOACSC consists of two representatives from each county elected by a majority vote of all charter member Districts within each county and one representative from the fiscal agent District. To obtain financial information contact the NOACSC, Director, 645 S. Main Street, Lima, Ohio 45804.



Mary Taylor, CPA

Auditor of State

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

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, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2008 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 to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2006-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2006-002 listed above to be a material weakness.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated January 30, 2008, we reported other matters related to noncompliance we deemed immaterial.

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

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

Mary Taylor, CPA
Auditor of State

January 30, 2008

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

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 on the cash basis. 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.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

Material Weakness

Monitoring Financial Statements

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

The fiscal year 2006 financial statements contained material errors, such as the following:

- The receipts and disbursements in the Permanent Improvement Fund were understated by \$54,346.
- The receipts, disbursements, and beginning fund balance in the Other Governmental Funds were overstated by \$54,346.
- Net assets restricted for set-asides were overstated by \$51,802 in the Governmental Activities.

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

Officials' Response

We did not receive a response from Officials to this finding.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	OAC §117-2-3(B) reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2006-001.
2005-002	ORC § 5705.41(D) Improper certification of funds.	Yes	
2005-003	ORC § 5705.41(B) Expenditures in excess of appropriations.	No	Finding has been partially corrected and is repeated in the management letter.



Mary Taylor, CPA
Auditor of State

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 6, 2008**