



**Auditor of State
Betty Montgomery**

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash and Cash Equivalents and Fund Cash Balances - All Fund Types	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types.....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types.....	6
Combined Statement of Receipts - Budget and Actual - All Fund Types	7
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - All Fund Types	8
Notes to the General-Purpose Financial Statements	11
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25

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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 Kalida Local School District, Putnam County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-3(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2 and 3, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, combined cash, investments, and combined fund cash balances of the District, as of June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended for the information and use of the finance committee, management, and the Board of Education, and is not intended to be and should not be used by 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

November 20, 2003

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2003**

Cash and Cash Equivalents	<u>\$ 8,387,031</u>
 Cash Balances by Fund Type	
Governmental Fund Types:	
General Fund	\$ 985,146
Special Revenue Funds	130,330
Debt Service Funds	77,170
Capital Projects Funds	7,056,911
Proprietary Fund Types:	
Enterprise Funds	36,582
Internal Service Fund	2,809
Fiduciary Fund Types:	
Expendable Trust Fund	41,765
Agency Funds	<u>56,318</u>
 Total	 <u>\$ 8,387,031</u>

The notes to the financial statements are an integral part of this statement.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Cash receipts:		
Property tax and other local taxes	\$ 1,318,123	\$ -
Intergovernmental	2,739,802	61,169
Tuition	273,489	-
Earnings on investments	45,545	596
Extracurricular Activities	-	99,541
Classroom Materials and Fees	35,676	-
Miscellaneous	22,760	2,090
Total cash receipts	<u>4,435,395</u>	<u>163,396</u>
Cash disbursements:		
Instruction		
Regular	2,334,076	34,236
Special	187,357	21,450
Vocational Education	114,069	668
Other Instruction	2,503	-
Supporting Services		
Pupils	213,050	12,778
Instructional Staff	209,855	12,309
Board of Education	29,232	-
Administration	387,971	10,595
Fiscal Services	153,922	34
Operation and Maintenance of Plant	348,022	642
Pupil Transportation	165,407	
Central	-	4,400
Non-Instructional Services	-	
Extracurricular Activities	136,668	
Facilities Acquisition and Construction	-	94,748
Debt Service:		
Repayment of Debt	-	-
Total cash disbursements	<u>4,282,132</u>	<u>191,860</u>
Total receipts over/(under) disbursements	<u>153,263</u>	<u>(28,464)</u>
Other financing receipts and (disbursements):		
Sale of Bonds or Notes	-	-
Sale of Fixed Assets	340	-
Transfers-In	-	35,320
Transfers-Out	(35,320)	-
Advances-In	259	-
Total other financing receipts/(disbursements)	<u>(34,721)</u>	<u>35,320</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	118,542	6,856
Fund cash balances, July 1	<u>866,604</u>	<u>123,474</u>
Fund cash balances, June 30	<u>\$ 985,146</u>	<u>\$ 130,330</u>

The notes to the financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$ 188,049	\$ 56,331	\$ -	\$ 1,562,503
22,399	5,634	-	2,829,004
-	-	-	273,489
-	48,222	598	94,961
-	-	-	99,541
-	-	-	35,676
-	-	-	24,850
<u>210,448</u>	<u>110,187</u>	<u>598</u>	<u>4,920,024</u>
-	16,126	-	2,384,438
-	-	-	208,807
-	-	-	114,737
-	-	-	2,503
-	-	-	-
-	-	-	225,828
-	-	-	222,164
-	432	-	29,664
-	-	-	398,566
4,293	1,485	-	159,734
-	9,478	-	358,142
-	1,354	-	166,761
-	-	-	4,400
-	-	1,000	1,000
-	5,837	-	142,505
-	77,441	-	172,189
<u>7,041,828</u>	<u>-</u>	<u>-</u>	<u>7,041,828</u>
<u>7,046,121</u>	<u>112,153</u>	<u>1,000</u>	<u>11,633,266</u>
<u>(6,835,673)</u>	<u>(1,966)</u>	<u>(402)</u>	<u>(6,713,242)</u>
6,910,809	6,905,000	-	13,815,809
-	75	-	415
-	-	-	35,320
-	-	-	(35,320)
-	-	-	259
<u>6,910,809</u>	<u>6,905,075</u>	<u>-</u>	<u>13,816,483</u>
75,136	6,903,109	(402)	7,103,241
2,034	153,802	42,167	1,188,081
<u>\$ 77,170</u>	<u>\$ 7,056,911</u>	<u>\$ 41,765</u>	<u>\$ 8,291,322</u>

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating cash receipts:				
Food Services	\$ 161,235	\$ -	\$ -	\$ 161,235
Charges for Services	-	1,080		1,080
Extracurricular Activities	-	-	131,549	131,549
	<u>161,235</u>	<u>1,080</u>	<u>131,549</u>	<u>293,864</u>
Operating cash disbursements:				
Personal Services	74,146	1,988	2,350	78,484
Employees Retirement and Insurance	29,042	2,186	367	31,595
Purchased Services	1,946	-	-	1,946
Supplies and Materials	61,811	-	773	62,584
Capital Outlay	-	-	160	160
Other operating expenses	10,219	-	125,791	136,010
	<u>177,164</u>	<u>4,174</u>	<u>129,441</u>	<u>310,779</u>
Operating income (loss)	<u>(15,929)</u>	<u>(3,094)</u>	<u>2,108</u>	<u>(16,915)</u>
Non-operating cash receipts:				
Intergovernmental receipts	23,399	-	-	23,399
Earnings on Investments	437	-	809	1,246
Refund of Prior Year Expenditures	-	235	66	301
	<u>23,836</u>	<u>235</u>	<u>875</u>	<u>24,946</u>
Excess of receipts over/(under) disbursements before interfund advances	7,907	(2,859)	2,983	8,031
Advances-Out	-	-	(259)	(259)
Net receipts over/(under) disbursements	7,907	(2,859)	2,724	7,772
Fund cash balances, July 1	<u>28,675</u>	<u>5,668</u>	<u>53,594</u>	<u>87,937</u>
Fund cash balances, June 30	<u>\$ 36,582</u>	<u>\$ 2,809</u>	<u>\$ 56,318</u>	<u>\$ 95,709</u>

The notes to the financial statements are an integral part of this statement.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL COMPARISON
ALL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$ 4,188,607	\$ 4,435,735	\$ 247,128
Special Revenue Funds	196,864	198,716	1,852
Debt Service Funds	7,346,408	7,121,257	(225,151)
Capital Projects Funds	6,970,770	7,015,262	44,492
Proprietary Fund Type:			
Enterprise Funds	215,000	185,071	(29,929)
Internal Service Fund	6,440	1,315	(5,125)
Fiduciary Fund Type:			
Expendable Trust Fund	3,500	598	(2,902)
Agency Funds	194,184	132,424	(61,760)
Total (Memorandum Only)	\$ 19,121,773	\$ 19,090,378	\$ (31,395)

The notes to the financial statements are an integral part of this statement.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
ALL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Prior Year Carryover Appropriations</u>	<u>2003 Appropriations</u>
Governmental Fund Types:		
General Fund	\$ 89,841	\$ 4,649,376
Special Revenue Funds	12,050	218,217
Debt Service Fund	-	7,121,258
Capital Projects Funds	42,776	1,082,512
Proprietary Fund Type:		
Enterprise Funds	2,052	175,324
Internal Service Fund	-	7,108
Fiduciary Fund Type:		
Expendable Trust Fund	-	1,000
Agency Funds	13,094	170,237
Total (Memorandum Only)	<u>\$ 159,813</u>	<u>\$ 13,425,032</u>

The notes to the financial statements are an integral part of this statement.

	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 6/30/2003	Total	Variance Favorable (Unfavorable)
\$	4,739,217	\$ 4,317,452	\$ 54,004	\$ 4,371,456	\$ 367,761
	230,267	191,860	6,881	198,741	31,526
	7,121,258	7,046,121	-	7,046,121	75,137
	1,125,288	112,153	459,477	571,630	553,658
	177,376	177,164	-	177,164	212
	7,108	4,174	50	4,224	2,884
	1,000	1,000	-	1,000	-
	183,331	129,441	6,469	135,910	47,421
	<u>\$ 13,584,845</u>	<u>\$ 11,979,365</u>	<u>\$ 526,881</u>	<u>\$ 12,506,246</u>	<u>\$ 1,078,599</u>

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**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003**

1. DESCRIPTION OF SCHOOL DISTRICT

Kalida Local School District, Putnam County, (the School District) organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. It is a body politic and corporate, established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by § 3311.03 of the Ohio Revised Code and operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four (4) year terms and is responsible for the provision of public education to residents of the District. Local school districts are supervised by the county board of education, a separate entity.

The School District was established in 1968. The School District serves an area of approximately 43 square miles. It is located in Putnam County and includes the Village of Kalida, and portions of Greensburg, Jackson, Perry, Sugar Creek and Union townships.

The School District is the 555th largest in the State of Ohio (among 612 school districts) in terms of enrollment and operates 1 elementary school and 1 middle/high school. Average daily membership (ADM) during the first full week in October of 2002 was 751. The District employed 5 administrative personnel, 51 certificated employees and 23 non-certificated employees.

The District's management believes these financial statements present all activities for which the District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

A general fixed asset group and general long-term obligations group of accounts are not recorded on the financial statements by the District under the basis of accounting used. By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

A. Basis of Presentation - Fund Accounting

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

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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

GOVERNMENTAL FUND TYPES

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

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

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

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for, and the payment of, general obligation long-term principal, interest, and related costs other than that accounted for in the proprietary fund.

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

PROPRIETARY FUND TYPES

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

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

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

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The following are the School District's fiduciary fund types:

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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

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

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All governmental fund types, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level within each fund. Any budgetary modifications at this level may only be made by resolutions of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

TAX BUDGET

A budget of estimated cash receipts and disbursements for all funds is submitted to the County Auditor, as secretary of the Putnam County Budget Commission, by January 20, for the period July 1 to June 30 of the following year. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

CERTIFICATE OF ESTIMATED RESOURCES

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the School District Treasurer identifies projected increases or decreases in revenue. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriation.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

APPROPRIATIONS

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund level of expenditures. The appropriation resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

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

ENCUMBRANCES

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over and need not be reappropriated.

C. Property, Plant, and Equipment

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

D. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

E. Cash and Investments

The District maintains a cash and investment pool which is available for all funds. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances. During fiscal year 2003, investments were limited to STAR Ohio. The investment in STAR Ohio is reported at STAR Ohio's share price, which is the price the investment could be sold at on June 30, 2003. Investment earnings are allocated as authorized by State statute and Board resolution.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

F. Total Columns on Financial Statements

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

3. ACCOUNTING CHANGE

During fiscal year 2003, the District changed its method of accounting from generally accepted accounting principles to a basis 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 affect on the excess of revenues over/(under) disbursements/expenditures as previously reported, although potentially material, cannot be determined at this time. This change had the following affect on fund balances as previously reported:

<u>Fund Type</u>	<u>Fund Balance/Equity as Previously Reported at 6/30/2002</u>	<u>Adjustments</u>	<u>Adjusted Balances at 7/1/2002</u>
General	\$519,724	\$346,880	\$866,604
Special Revenue	117,007	6,467	123,474
Debt Service	2,034	-	2,034
Capital Projects	148,399	5,403	153,802
Enterprise	24,632	4,043	28,675
Internal Service Fund	5,440	228	5,668
Expendable Trust	42,167	-	42,167
Agency	-	53,594	53,594

4. CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 either time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time (if the school treasurer has received the necessary training); and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

At year end, the School District had \$812 in undeposited cash on hand.

The following information classifies deposits and investments by categories of risk.

Deposits: At fiscal year end, the carrying amount of the School District's deposits and cash on hand was \$630,416 and the bank balance was \$677,022. Of the bank balance, \$400,000 was covered by federal depository insurance and \$276,759 was covered by securities held by the pledging financial institution's trust department in the School 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 School District to a successful claim by the FDIC.

Investments: The School District's investment in STAR Ohio is not evidenced by securities that exist in physical or book entry form. The carrying value and fair value of STAR Ohio at June 30, 2003 was \$7,756,615

5. PROPERTY TAXES

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is revalued every six years as required by law with a triennial update. The last update was completed for tax year 2002.

Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the liens date. 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 of the following year. Under certain circumstances, State statute permits alternate payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended June 30, 2003, was \$42.14 per \$1000 of assessed valuation. After adjust of the rate for inflationary increases in property values, the effective rate was \$21.9951 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$33.3617 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended June 30, 2003, was \$42.14 per \$1000 of assessed valuation.

Current assessed district valuations are:

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

Real Property Valuation	
Residential/Agricultural	\$ 41,670,490
Industrial/Commercial	5,414,680
Public Utilities	-
Tangible Personal Property Valuation	
General	7,634,010
Public Utilities	<u>2,717,060</u>
Total Valuation	<u>\$ 57,436,240</u>

The Putnam County Treasurer collects property tax on behalf of all taxing districts within the District. The Putnam County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the District.

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

A. Liability Insurance

Effective February 1, 2003 through February 1, 2004, the District contracted with the Ohio Schools Risk Sharing Authority/Willis Pooling through Fawcett, Lammon, Recker & Associates Insurance Company for general liability insurance with \$1,000,000 each occurrence, \$3,000,000 aggregate limit.

B. Property Insurance

Effective February 1, 2003 through February 1, 2004, the District contracted with the Ohio Schools Risk Sharing Authority/Willis Pooling through Fawcett, Lammon, Recker & Associates Insurance Company for property, boiler and machinery insurance with \$8,504,045 limit and \$1,000 deductible.

C. Fleet Insurance

Effective February 1, 2003 through February 1, 2004, the District contracted with the Ohio Schools Risk Sharing Authority/Willis Pooling through Fawcett, Lammon, Recker & Associates Insurance Company for vehicle insurance, holding a \$1,000 deductible for comprehensive and collision insurance. Automobile liability has a \$1,000,000 combined single limit of liability.

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

D. Workers' Compensation Group Rating Program

The School District participates in the Northwest Ohio Area Computer Services Cooperative (NOACSC) Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers'

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

E. Putnam County Schools Insurance Group (PCSIG)

Effective January 1, 1992, the School District joined together with school districts and other entities to form the Putnam County Schools Insurance Group (PCSIG), a public entity risk pool that operated as a common risk management and insurance program for 11 member entities.

Effective January 1, 2003, the Group went self-insured with stop loss coverage. The PCSIG provides employee health care benefits to all participants under a fully insured comprehensive premium policy. The School District pays 100 percent of its monthly premium to the PCSIG. The designated health insurance carrier pays 100 percent of all claims and, in turn, bills the PCSIG for claims paid.

F. Prescription Drug Self-Insurance Program

Since August 1, 1994, the District also provides an enhancement to the prescription drug insurance benefit provided through the health insurance Company, through a self-insurance program. The school district contributes monthly to the self-insurance fund, \$20.00 per single Comprehensive Major Medical plan (CMM) and \$30.00 per family CMM plan, up to a maximum fund balance of \$10,000. These contributions and all related expenses are accounted for in the Prescription Drug Self-Insurance Plan Fund. The School District has no stop loss insurance and has not set a maximum amount payable per beneficiary. However, the School District's liability is limited to the employees' unpaid deductible and maximum out-of-pocket expense.

Employees on a Preferred Provider Organization plan (PPO) are reimbursed the amount of the co-pay greater than \$8.00, but not exceeding \$15.00 for brand name prescription drugs only. The employee pays the full amount for generic prescription drugs.

For employees on a CMM plan, the program reimburses the employee or a participating pharmacy for the cost of prescriptions less an \$8.00 employee co-payment. The employees then file the cost of the prescription through their health insurance, and if the health insurance Company makes a payment for the prescription, the employee turns over the payment to the school district.

7. RETIREMENT SYSTEMS

A. State Teachers Retirement System:

Certified staff employed by the District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer defined pension plan, administered by the

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Contribution rates are also prescribed by the Ohio Revised Code. STRS members contributed 9.30 percent of their wages and the District contributed an amount equal to 14.00 percent of the participants' gross salaries. The District has paid all contributions required through June 30, 2003.

B. School Employees Retirement System

Classified staff employed by the District participates in the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined pension plan, administered by the School Employees Retirement Board. SERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Contribution rates are also prescribed by the Ohio Revised Code. SERS members contributed 9.00 percent of their wages and the District contributed an amount equal to 14.00 percent of the participants' gross salaries. The District has paid all contributions required through June 30, 2003.

C. Social Security

Elected Board members have the option of choosing between the School Employees Retirement System and the Federal Social Security System. For fiscal year 2003 four Board Members have chosen to participate in social security.

8. DEBT OBLIGATIONS

The School District's long-term obligations during fiscal year 2003 were as follows:

A. EPA Assistance Note

During Fiscal Year 1986, an interest-free Asbestos School Hazard Abatement Note was issued through the U.S. Environmental Protection Agency in the amount of \$88,790. Proceeds from the note were used to remove friable asbestos from 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.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

B. School Facilities Construction and Improvement Bonds

The electors of the School District approved the issuance of bonds in the amount of \$6,905,000 at the election held on November 5, 2002, and the Bonds were issued pursuant to such voted authority.

The Bonds are issued for the purpose of constructing, including constructing 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 School 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 School District's future facilities needs after the issuance of the Bonds.

The amortization at June 30, 2003, is as follows:

Fiscal Year Ending June 30	EPA Assistance Note Award	General Obligation Bonds
2004	\$ 5,000	\$ 413,375
2005	5,000	435,225
2006	1,290	436,775
2007	-	438,225
2008	-	439,575
2009-20013	-	2,180,816
20014-2018	-	2,176,480
2019-2023	-	2,173,309
2024-2028	-	2,158,658
2029-2031	-	1,286,480
Total	11,290	12,138,918
Less: Amount Representing Interest	-	5,233,918
Total	\$ 11,290	\$ 6,905,000

9. LEASES

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 for another 5 years.

The District leases computer equipment from Apple Computer, Inc. The lease term is from July 15, 2002 through July 15, 2005, at an annual rate of \$31,529.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)**

10. SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2003.

	Instructional Material and Textbooks	Capital Acquisition	Totals
Set-aside Cash balance as of June 30, 2002	\$ 23,472	\$ 2,285	\$ 25,757
Current Year Set-Aside Requirement	99,667	99,667	199,334
Current Year Additional Deposits	-	-	-
Current Year Offsets	3,244	65,915	69,159
Qualifying Disbursements	<u>76,517</u>	<u>1,080</u>	<u>77,597</u>
Set-Aside Cash balance as of June 30, 2003	<u>\$ 43,378</u>	<u>\$ 34,957</u>	78,335
Amount restricted for bus purchases			<u>11,447</u>
Total Restricted Assets			<u>\$ 66,888</u>

11. STATE SCHOOL FUNDING DECISION

On December 11, 2002, 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL 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 Kalida Local School District, Putnam County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 20, 2003, in which we noted that the District prepares its financial statements on the basis of accounting other than that prescribed by Ohio Administrative Code § 117-2-3(B). 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 20, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 20, 2003.

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Kalida Local School District
Putnam County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive style with a large initial "B".

Betty Montgomery
Auditor of State

November 20, 2003

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-001

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 § 117-2-3(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. We recommend the District prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.



**Auditor of State
Betty Montgomery**

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KALIDA LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 9, 2003**